SCALING FOR SUCCESS

EMPOWERING AFRICAN SMEs

DEJI ADEBUSOYE

Chapter Five

Weaponise Your Team

The greatest asset of a company is its people.

– Jorge Paulo Lemann

Elon Musk said, ‘A company is just a group of people solving a problem’, and I agree with him. Someone discovered a problem that required solving and gathered other people to help solve the problem. At the risk of oversimplification, this is how a company is formed. The person who discovered the problem would not have requested others to join if the problem could be solved by just one person. It was never about the person who discovered the problem but about the team who is working day and night to solve the problem.

Unfortunately, most entrepreneurs act as though they can solve the problem alone and are doing the employees a favour. Little wonder these companies never make it far.

There are two misconceptions that I want to correct as entrepreneurs

put their teams together:

- **You Are Not Doing Your Employees a Favour by Giving Them a Job**

  If you gather people to help solve a problem, these people must have specific skills to help solve the problem. It does not matter if that skill is cleaning toilets, driving trucks, or closing multi-million-dollar deals; they were hired because the founder could not do it alone. If this is the case, then the founder should be grateful that those people offered this company their skills and not another company.

  The income they earn is compensation for their time and skill offered to the company – it's not a favour or gift but a transaction. They offer you their time and skill, and you offer them a fair wage.

  If we must be honest with ourselves, the wage is often not entirely fair because it would be nothing compared to what their time and skills have helped the company earn. Hypothetically, the employee could be gaining more value (financial or otherwise) if their time were put to personal use. The best of these employees could also easily make their skills available to other companies if they choose to do so.

  Unfortunately, given the unemployment rates in most parts of Africa, employers know their employees lack options and do not have the luxury of changing jobs at will. Hence, the employees are obliged to cope with the status quo.

  As any expert negotiator will tell you, a win-win situation in negotiation is critical to a long-term, mutually beneficial relationship. If the perceived weakness of the employees is

taken advantage of, the employees will take their pound of flesh in ways the employer would least expect. Ultimately, it is a value-destroying endeavour and should best be avoided.

- **Do Not Expect Employees to Work Harder Than You**

At one of Gary Vaynerchuk's conferences, an attendee asked him how an entrepreneur could make employees as passionate about the business as the owner. His response was quite animated. He said, 'It's ludicrous to expect your employees, earning $12 per hour, to be as passionate about your business as you are'.

In fact, it would be foolhardy to expect any employee to work as hard as the founder.

Let's not confuse expectation with reality. The reality is that employees who excel and advance in any organisation work as if they have a stake in the business. They probably work harder than the company's owners. But the bone of contention here is the owners' expectation that employees should work as hard as they do.

The entrepreneur must be the hardest worker in the business. They own the vision and assemble a team to execute the vision. It's a hard pill to swallow, but the employee can exit the business at any time. By contrast, the one person who cannot leave the company (at least not dramatically) is you, the founder.

However, your ownership of the vision, respect, and support for your employees could inspire some employees to run with the vision as if it were theirs. That level of commitment from employees is earned, not demanded. Watching the leader give everything can inspire the employees to go all the way.

Focus on Performance

Different entrepreneurs have adopted unique means of extracting loyalty from their employees. Some employ the ‘rancour-among-employees’ approach. This approach makes employees snitch on each other. The goal is to discourage connivance among employees – some employers believe that employee cordiality is not in the employer’s best interest.

In the long run, however, this is value-destroying. It is unwise to expect that employees who are always at each other’s throats will turn around to cooperate to achieve the company’s objectives. This is because these employees will take the same approach to meetings and engagements, frustrating each other as much as possible.

In a normal, productive environment, each employee should be exploring ways to add value through their roles. However, in the kind of environment described above, the employee will also need to figure out how to remove all the obstacles that the detractors set up to frustrate their objective. This dissipates energy unnecessarily, increases bureaucracy, extends lead times, and dampens morale.

Another approach employed by some entrepreneurs is to have a mole in the team – someone who feeds the entrepreneur with information on the activities among the ranks. They listen to conversations, anticipate betrayals, extract information, and feed them all to the entrepreneur. In exchange, the founder looks upon the mole favourably and probably rewards them financially for this unique service.

First, I have yet to see a situation where such relationships between the entrepreneur and the snitch have been sustained for a long time. The snitch always ends up on the wrong side of both the

entrepreneur and the other employees and is eventually forced to leave while the entrepreneur recruits another snitch. It is also an unsustainable approach.

Other employees will often figure out who the talebearer is, but even when they do not, they know there is one. When the founder seems to be aware of everything that happens, they immediately know there is a mole on the team. Guess what happens; trust breaks down. It becomes an 'everyone for himself' situation.

If you love horror movies as I do, you will be familiar with such outcomes. When you have a few people locked up together in the house, and suddenly people start dying mysteriously, the first reaction is to look externally. Maybe there is a killer crocodile crawling into the house in the middle of the night and dragging its victims out. Therefore, they lock all windows, throw the hinges behind the doors, nail wood across open spaces, and go to sleep.

Still, another person dies. It suddenly dawns on them that the enemy is not outside but inside; in fact, it is one of them.

At this point, trust is broken, and everyone goes into panic mode and starts looking out for themselves. But guess what? This is what the enemy thrives on. Once trust is broken, they each go their own way, trying to ride out the danger solo, and it becomes relatively easy for the enemy to take them out one after another.

My apologies to those who hate horror movies, but the moral here is that once the team perceives that the intruder is one of them, trust disintegrates, and 'to thy tent, O Israel'. They will hoard information, take risks without getting the required support, undermine others' contributions, and, in extreme situations, go after each other to eliminate the perceived threat. Ultimately, this benefits nobody,

and especially not the business owner.

These approaches to running a company reflect a minimalistic mentality, where the entrepreneur minimise downsides rather than maximising the upsides for the business. Growth companies focus on maximising the upside without losing focus on the potential risks.

Young companies, in many ways, are in a discovery process. They are seeking new customers, relationships, partnerships, markets, revenue streams, channels, etc. Hence, the more risk-averse the company is, the slower its ability to scale and grow.

Do you know of any successful company that is exactly the way it was when it started? I am not advocating for careless business management, but you cannot be laser-focused on what could go wrong when you have yet to fully figure out the company's direction.

When you concern yourself with petty gossip and squabbles among your team, you set a precedence for what the team will spend their time doing. You should be focused on one thing and one thing alone: results and how they are achieved (for replication).

Performance is typically measured along two streams:

1. What is delivered
2. How it is delivered

There are debates on how well these measure performance, but I do not plan to dwell on those. Instead, I want to highlight the value of focusing your team on what they delivered and the methods adopted to achieve those results.

The 'what' indicates the exact results achieved vis-à-vis the

objectives set out at the beginning of the year. For example, at the start of the year, a sales manager is given the objective of selling $1 million worth of merchandise. What you want to measure at the end of the period is simple: did they achieve it or not? The 'what' does not get bogged down in all the headwinds and tailwinds that affect the result.

There was a time at L&Z when the sales team was grossly underperforming. During the cold seasons, the team lamented that buyers had reduced their consumption of cold yoghurts. However, had they not forecast the impact of seasonality on their sales projections? Of course, they had, and these were just excuses.

In other situations, there were probably valid reasons for not achieving the result. For example, COVID happened, and exports suffered. But this is what the 'how' is there for.

In the 'what', we focus on the result. Was it achieved or not? Therefore, the objectives must be as SMART (Specific, Measurable, Achievable, Realistic and Time-Bound) as possible to eliminate any doubt as to the integrity of the results achieved.

However, the next question is how the results were achieved. Did they display values that your company seeks to promote? Did the employee put in a lot of hard work, demonstrate grit and conscientiousness, and engage effectively with teammates, reports, and superiors to try and achieve the result?

Here, the focus is not on whether the results were achieved. Instead, you want to measure a repeatable, sustainable methodology or culture that you want to encourage in your team. This is because, if all other things are equal, those traits will deliver the expected results.

I know several companies that are okay with achieving results by any means, about which I have reservations. The 'how' measures how the results were achieved and is usually linked to the company's values.

Typically, some metrics are defined across the company values, and each employee receives 360-degree feedback from peers, superiors, and reports (direct or indirect) on their performance against those metrics. This works in an environment where feedback is taken as a gift rather than as a tool for vilifying others. And it starts with the founders.

Can you, as a founder, take feedback from your employees (direct reports) even when it's deeply uncomfortable? Do they feel safe in challenging you or your ideas without fearing for their jobs?

One of the turning points for L&Z came through at a seriously challenging meeting we had with the management in Kano, Nigeria, when the business was struggling to post good results. The founder, also the MD, after the long meeting, surprised the team by requesting feedback from them on him.

The team was initially shocked and stayed quiet, but I realised that this was an opportunity not to be lost. As I was not an employee and had nothing to lose, I broke the ice and started off the feedback. Others followed and were very candid and open. The founder sat quietly, listened to all the feedback, and thanked everyone. He asked a few clarifying questions, made some comments, and then we ended the meeting.

While not everything in his approach changed based on the feedback, two things did happen. One, he made frantic efforts to make some much-required changes to the way he had been

managing the company and the team. Secondly, not a single person was vilified for the comments. In fact, I believe some of the people at that meeting are still with the company today.

This candour opened up conversations among the employees, and they became quite direct with their boss. It was clear to everyone that the progress of the company was his focus and not any political agenda. It marked a major turning point in the company, as the performance started trending upward and has not stopped since.

A combination of the 'what' and the 'how' would typically sum up the performance of each employee, and entrepreneurs should also hold themselves up to the same standards. Set clear objectives for yourself and your direct reports, and let your direct reports do the same with their direct reports.

This also indicates that the company should have some structure through which the organisation functions. Here are a few things to note when implementing a performance management plan:

- **Have an Organisational Structure (OS) That Works**

  The OS is not just a fancy thing to have as a company. It is meant to evolve as the company grows, and unless you are actively using the OS to structure the company for performance and execution, it will be useless to the company.

  An external person looking at a company's OS should immediately understand a lot about the company's strategy. This means that your strategy to win in the market is reflected in how your team is structured.

  We had iterated L&Z's OS several times while building the company. Eventually, we arrived at a steady state OS. Though

it had several roles that were not yet filled, we had a destination we were working towards.

- **Ensure That the Process Runs Every Year**

  Set aside time at the start of the year or the end of the penultimate year to define the company's objectives for the new year. To drive consciousness and eliminate surprises, hold reviews either quarterly or bi-annually. Many managers do not provide any feedback to their direct reports; then, at the end of the year, they tell the report they had a terrible performance. The employee disagrees with this because there had been no indication throughout the year.

  Other managers do not have a problem dishing out feedback as often as possible, and their direct reports are not in doubt as to their performance. A periodic review where progress is discussed between the manager and report helps to resolve this problem.

- **Give Your Employees the Freedom to Run the Performance Management Process**

  If there is an organisational structure, then let the structure work. Do not circumvent the process and micromanage the exchange between employees and their managers.

  For example, let's assume that you have a sales team with a head of sales who has two regional sales managers as direct reports, and each of the regional sales managers has sales assistants. The managing director should run the process with the head of sales, and the head of sales should run it with the two regional sales managers, then each regional sales manager with their direct reports – the sales assistants.

In case you are wondering, as the founder, if you are also the managing director, you should be assessed by your board of directors, and feedback from your direct reports should be input into the process. This level of governance builds accountability in the organisation.

- **Ensure the Process is Fair**

Once it is compromised, the employees will no longer trust the process, and this completely defeats the purpose. Hence, the process must be unbiased. If a manager has full autonomy in providing a performance rating that will impact a direct report's career in the organisation, it is not unusual for some managers to weaponise the process against direct reports they do not 'like'. Therefore, for every assessment, there should be a review with the manager who is one up from them.

Using the example I cited earlier, the regional sales managers should run the process with their sales assistants, but it would be fair that one of these reviews should have the head of sales participating. This ensures that the buck does not ultimately rest on the table of the regional sales manager, and the sales assistant can air their views in the presence of a more senior manager.

You might ask what would happen if the regional sales manager and the head of sales gang up against a sales assistant who, for example, refused to cook up numbers to feign a good performance. Well, if that is the case, then you have bigger problems on your hands than the sales assistant who is being vilified. However, in most situations, this process helps to

balance perspectives across the organisation.

At the start of the year, the goals must be clearly documented in a SMART way. As much as possible, with the 'What', there should be no room for debate. Below are some examples of SMART goals:

- Sell 500 cars to new customers by December 2023
- Record zero accidents on the production floor
- Complete 200 truck deliveries to Kampala with zero accidents

The list could continue, but you should get the idea. At the end of the exercise, the MD should have a view of the outcome of the exercise for the organisation, especially given that SMEs are typically small. An MD who understands that they can only deliver results through people would take this process very seriously. Get your team right, and they will reward you tremendously.

- **The HR Unit Should Own and Lead This Process**

They should be the independent and unbiased umpires, ensuring guidelines are followed and there is fairness and uniformity across teams and units in the organisation. This does not mean that the HR team will not be assessed, too. They will follow the same process, but they must oversee the process from start to end.

- **Set Up a System for Aggrieved Employees to Make Reports**

There could be a grievance hotline or email where complaints

are reported within a reasonable period of the performance management process. These should be treated promptly and fairly. If the process is perceived not to be fair, no one will engage in it and trust will break down.

To make the most of this appraisal process and encourage your employees to trust and adopt it, it should lead to action. The action would focus on three things:

1. Rewarding performance
2. Empowering the team to perform better
3. Exiting the consistent poor performers

Let's explore each of these in detail.

Reward Performance and Not Sycophancy

One of my all-time favourite books is *Dream Big* by Christiane Correa. The book explores how Jorge Paulo Lemann, Marcel Telles, and Beto Sicupira built one of the greatest empires in the history of Brazilian capitalism and gained an unprecedented level of recognition on the world stage. They acquired at least three globally known brands: Budweiser, Burger King, and Heinz.

One of the intriguing things about these folks is their management philosophy, which is largely based on meritocracy. The company culture has no room for mediocre performance, and those who bring exceptional results have the chance to achieve unbelievable wealth. Several people question their methods of delivering the results, but the 'how' I described above could bring a balance to how the results are achieved.

The goal here is to emphasise the concept of meritocracy. Probably driven by the African hierarchical culture, some African business owners pander to yes-men who know and say what the owners want to hear. They fan the egos of the owners, bully others in the organisation and push out results that are not theirs. They know how to look 'busy', especially when the boss is looking.

These people are rewarded, while the people doing the grunt work and delivering the results are left in the cold, causing them to leave eventually. Then, the business owner wonders why the business consistently underperforms.

The answer is simple. You have been rewarding sycophancy and not performance.

The reason for describing the performance management system above is to define a process that helps you identify strong performers. When you identify them, reward them accordingly.

A meritocratic culture does the following:

- It ensures that your strong performers stay a long time in the company and continue to deliver top results for the organisation.
- It inspires the entire organisation to aim for excellence. Excellence becomes the culture, and if team members seek to outperform others, it would be by achieving great business results and not by boosting the founder's ego.
- It helps the company attract other top talents. Top talents sniff out excellent organisations in the way that sharks smell blood in the water. In an environment where great talents are hard to come by, one of the greatest tools for attracting them is the company's ability to set challenging goals and reward excellence.

Before I explore some ways of rewarding such top performers, entrepreneurs should note that attracting and retaining top talents might hurt their own egos. Top talents usually won't pander to you as an owner. They are there to deliver exceptional results and not to sing your praises. They may challenge you and oppose your views. They will disagree with you secretly and openly.

Hence, if any hint of this kind of challenge makes you edgy or uncomfortable, then you are not ready for this.

Here are a few thoughts on how to reward your top performers:

- **Pay Competitively**

  An entrepreneur who doesn't compensate the team competitively and instead rewards themself disproportionately is playing a short-term game. The reward for a business owner should not be the salary earned or the monies pulled out of the business; instead, it should be the company's value (as explained earlier).

  So, as a founder, why compete with employees on salary? It is completely outrageous!

  First, scope out the salary scales for the industry and the competing industries for talent. For example, L&Z would compete not only with other dairy companies for talent but also with most FMCG companies. This can be done either by commissioning a consultant to do the scoping exercise, which will come at a cost, or by using some other means, like speaking to different people and asking what they earn in their position or what someone in their position would earn.

  That gives an idea of what the competitive pay scale for the different positions would be. Once you know the pay band

for different roles and different levels in your industry and competing industries for talents, determine where you would want your company to be on that band.

Some companies want to be at the top of the band; others want to be in the middle, and others at the bottom. Ideally, to be competitive in the market, you want to be anywhere from the middle to the top of the band. Companies that are below the middle but still have the best talents usually have something else they offer the employees other than salaries.

For example, this might be prestige, career acceleration, global opportunities, or similar. Create your pay scale where you want to be and place your strong performers close to the top of the pay scale in your chosen band.

We did this successfully at L&Z. We carried out multiple salary surveys and did it more than once. I will emphasise that you should carry out such surveys frequently, maybe annually. The market moves often, and you want to be aware of any changes.

In 2020, we standardised everyone's salary along with the chosen band and pay scale. The salaries of every single employee went up during this period, which was, of course, a higher cost for the company. But guess what! The improvement in business performance more than made up for the increase in cost.

- **Create Room for Growth**

Nothing frustrates strong performers more than a feeling of being stagnant. You want to be able to promote and give them a semblance of upward movement in the organisation. Whether you like it or not, outstanding employees are not only measuring themselves within the company, but they are constantly

assessing themselves against their peers and contemporaries outside the company. They are assessing them for growth, earnings, opportunities, responsibilities, and so on.

It is difficult to create such opportunities in small organisations because there is only so much room for promotions when you have a small team. However, there are creative ways to manage this.

When creating the organisation structure, within each grade, you can have multiple levels or layers.

For example, L&Z created a grading system which went from an executive trainee to a general manager. Within each grade, there are multiple levels, and each role in the organisation was mapped to a level and grade within the salary structure.

This kind of arrangement allows frequent upward movement without necessarily moving them to a new grade. So, an assistant manager can be promoted twice within that grade before he is promoted to deputy manager. Each promotion, however, comes with a salary increase.

One mistake many companies make in designing the salary structure is defining the grade levels by education or years of experience. It assumes that the longer an employee stays, the more senior the employee should be. This structure is set to reward loyalty and not performance. A strong performer could move quickly through the ranks and become a manager to people with many more years of experience – and that is perfectly fine.

A more difficult approach is to define each grade by the expectations of people at that level rather than by their years of experience. Additionally, when upward ascendancy is impossible, the increased work scope could be another motivational tool. If

the employee's work scope expands consistently, it creates the same feeling of growth. The employee sees his capacity growing.

- **Reward Based on Employee Motivation**

You will be amazed at how different employee motivations are. However, to uncover these motivations, business owners and managers must take the time to manage deliberately rather than by proxy.

Each manager in the organisation must understand that they are not just pushing results out of their direct reports, but they are also managing their careers. And the entrepreneur must set an example.

Take some time to understand why your employees come to work in the morning. For some, it's as simple as a work ethic. They are just driven to deliver results. Others could be motivated by pure ambition. They want to become the CEO of the company one day. Another could be financial reward. They want to be on the front page of Forbes magazine.

It is important to understand these drivers for your direct reports because it helps you to create a tailored approach to rewarding them. Consequently, your direct reports should cascade this approach down their reporting lines.

This was the approach M.D. Abubakar, the founder of L&Z wanted to employ. He had taken time to talk with some top performers to understand their motivation. And he wanted to work with them to achieve those goals and hopefully keep them in the organisation for a longer period.

He said the employee who wanted to become a consultant

would still be adding value from his point of view long after the employee left L&Z to pursue his consulting practice. So, he trained and developed the young man to become more competent in that role and ultimately achieve his dream of becoming a consultant.

If one of your top talents wants to get an advanced degree, you can figure out a way to support them in achieving that while still retaining them within the organisation. The reason this is so important is to avoid disappointments. You could be paying your top talent a lot of money and then see them leave to join another organisation, and it would be frustrating to you as a business owner.

Maybe financial reward is not as important to them as their ambition to climb up the ladder. If the employee is delivering exceptional results, then why not help them to stay?

- **Employee Share/Stock Ownership Programme/Plan (ESOP)**

The subject of company equity is a touchy one for most business owners. African entrepreneurs are happier to own 100% of a $1 million business than 10% of a $100 million business. If you do the maths correctly, the latter means he has a $10 million stake in the business. This narrative is changing a bit, and I hope this book will accelerate that shift in mindset.

An ESOP enables companies to give qualified employees ownership of the business to the extent of the shares allocated to the ESOP. The ESOP is assigned to a trust that governs how the ESOP is administered to qualified employees. Typically, a certain number of shares is allocated, and a vesting schedule is

defined.

Vesting is an important concept here. It aligns the interests of the company with the interests of the employee. The shares allocated to an employee are vested, that is, legally transferred to the ownership of the employee, over a defined period. For example, if an employee is assigned 100 shares that vest over four years, the employee gets 25 shares for a satisfactory performance each year.

The vesting is tied to KPIs set by the company, and the trust assesses if those KPIs have been met and if the shares should be vested. If an employee leaves before a certain period, all the vested shares will be automatically transferred to the ESOP pool. However, if the employee leaves after the holding period and is deemed a 'good leaver', the vested shares are purchased by the company and transferred to the employee as a lump sum. This is a powerful tool for talent retention. The employees who are assigned shares must understand the mechanism of administering the shares and their value.

Without this clear understanding, the value of the ESOP is considerably diminished. I advised M.D. that considering an ESOP for those employees that he wanted to retain, in addition to helping them achieve their career objectives, would do the trick.

The ESOP will have the following effect on the company. First, the vesting nature of the plan will ensure these talents stay longer in the company to benefit from the vested shares as well as cash in on the shares. Second, it keeps these employees motivated. Once they understand the mechanism of how the shares are administered and the drivers of share appreciation,

they will put in more effort to ensure the company's objectives are not only met but consistently exceeded.

You will thus see employees being transformed into owners with a passion similar to that of the entrepreneur for the business. There are other variants of the ESOP, such as stock options and restricted stock.

The stock options provide employees with the opportunity to purchase company shares at an agreed or fixed price for a period. The restricted stock, on the other hand, provides employees with the option to receive stocks as a gift or to purchase shares after meeting specified targets.

Empower Your Team to Outperform

There is a popular story about a conversation between the managing director and CFO of a company. The managing director said that they should initiate a company-wide training programme for the organisation. The CFO responded by saying, 'What if we train them and they leave the company?' to which the MD retorted, 'What if we don't, and they stay?'

This is a common struggle for several business owners. If you train them and they leave, what value is it for the company? But if you don't train them and they stay, they also add little to no value to the company.

To solve this dichotomy, the entrepreneur must think long-term and look at the big picture. What is the value of training your team?

First, it sharpens and empowers the team to contribute to the business. As the employees fill their knowledge or expertise gaps,

they start providing results that benefit the company and, ultimately, the business owner.

Unfortunately, this is the only benefit that most entrepreneurs are aware of, hence the struggle to persuade them to train staff. If this is the only benefit that you see as an entrepreneur, then you are right to be worried about the untimely departure of a trained employee.

However, there are a few other reasons for training company staff. Employees come and go, but one of the things that remains is company culture. One of the traits that attract top performers to a company is the opportunity for growth and development.

When the company commits resources to training its staff, it becomes an admirable feature of the company that attracts other highly qualified candidates to the company. And every company aspiring towards growth must be attractive to top talents. It must have a pipeline of talented individuals who want to join the company. So, training your employees provides your company with long-term benefits.

Another benefit is brand creation for the company and its product. I have attended several training sessions with employees from other companies. During the training, I met some people and learnt about their products and services. In fact, business relationships have been born out of such engagements. Hence, business owners should see training not only as a tool to develop the capabilities of their employees, which is laudable and important, but also as a tool for building the company's attractiveness and brand.

So, if an employee leaves after training, you would still have achieved the other two outcomes. And the departing employee will also be an ambassador for your company.

One of the most important applications of the performance management system is using it to design a training programme for the organisation. When the appraisal process is complete, the manager or direct supervisor should document the outcome. The report should describe the strengths of the individual and an improvement area. If the engagement between the parties has gone as it should, the employee's improvement areas should be obvious.

Improvement areas are not every development opportunity the employee has, but the most critical skills the employee lacks in their role. The goal is to isolate the improvement area that will have the largest impact on the performance of the employee. Then, the manager, with the support of the HR lead, will identify training and other opportunities that will be relevant to that employee.

Let's be clear about something: if you want to build a learning and high-performing organisation, you must be deliberate about it, and it is not going to be easy at first. But with time, you will understand how it works and reap the benefits of the impact it will have on the company.

Exiting an Employee

This is probably one of the most difficult segments I would have to write about. I am probably someone who would find every way possible to avoid exiting an employee from a company, but I have also realised that the longer it takes to make this decision, the more difficult it becomes.

Moreover, by delaying too long, you will end up leaving both the individual and the company in a bad state. It is an important skill that every entrepreneur must learn, and quickly, too.

When an employee is asked to leave the company, it could be for several reasons:

- Infraction or gross misconduct is usually the only reason most entrepreneurs ever exit an employee from the company. This is a well-understood process that is not difficult to execute. If an employee steals, deliberately damages a company's property, incites violence at work, sexually assaults another employee, or indulges in any of those vices that we often sometimes see at work in the workplace, it is usually a violation of company policy.

  Wait! Does your company even have a policy coded in a handbook that all employees have? If not, then prioritise creating one. Usually, for such violations of policy, the repercussions are very clear. The employee will be dismissed and, in some cases, handed over to law enforcement.

- When there is a mass retrenchment in the company. Sometimes, companies face severe hardships, which significantly affect their performance. If a company is struggling to stay afloat during this period, it could decide to either reduce salaries across the board and keep its employees or terminate some employees from the company.

  Every company must be careful with the option of laying off employees because the remaining employees will remember. They will perceive, rightfully or not, that they are not as important to the organisation as they were made to believe and can be let go at the drop of a hat during difficult times.

  Also, it is never good for employee morale, too. It should be the last option when all other possible means have been explored.

And when this option is used, the company must have a severance package for the affected people.

During the COVID pandemic, for a few months, business slowed down for L&Z because of logistics constraints. The company contemplated laying off some staff but ultimately decided against it. In fact, the company continued paying its staff their full salaries. This might not be sustainable for other companies, and you could consider a furlough, which is a temporary leave of employees due to the special needs of a company or employer.

- Many companies lay people off when they do not meet company targets. Most SMEs that I know rarely disengage employees for this reason. And I find that quite interesting. It is the most critical use of the exiting option for an employee, yet most SMEs do not do it.

  The most important resource required to achieve company goals and drive sustainability is the people, yet business owners just go with the flow and often avoid making such tough decisions. They often resort to allowing the poorly underperforming employees to either leave on their own or float around the organisation.

  Allowing a poorly performing employee to stay on damages the morale among the other employees. It is worse if the employee enjoys the same benefits as the rest of the employees who are performing well.

  We all know a chain is only as strong as its weakest link. It's a question of time until other employees realise that they have nothing to be worried about, even when they do not perform. This isn't good for anyone, most especially for the long-term

sustainability of the company.

- The final reason that I will only mention with a tongue in cheek is that some entrepreneurs fire employees to show others who is boss. I say this in jest, but it is, unfortunately, true in many African SMEs. The business owner goes about the office, threatening to fire anyone and everyone. There is a thin line here between bullying employees and using performance management to drive exits because what I just described here is employee bullying.

  In this kind of company, the employees will be walking on eggshells, hoping they can keep their jobs. Their morale is completely decimated, and every ounce of creativity and innovation is thrown out of the window. Such entrepreneurs usually end up working alone because such an environment is a toxic one, and employees will find the next available opportunity to jump ship.

My main focus here is on exiting employees due to poor performance. The reason for isolating this is that companies do not know how to do it well, and it usually has a major impact on the business.

Here is another place where the performance management system comes in handy. At the end of an appraisal session, performance across the entire organisation typically follows a normal distribution – a bell curve. There are about 20% who are top performers, consistently exceeding performance, 60% to 70% who meet and occasionally exceed performance targets, and 10% who are consistently performing below expectation.

There are several reasons an employee could be performing below expectations. One could be that they are simply the wrong fit. The concerned employee does not have the required skills or expertise to

do the job. Another reason may be a distraction, which could stem from many areas. Maybe the employee is going through a horrible divorce, or there is a hailing family member, or the employee is sick.

Unfortunately, it could also be due to victimization from the employee's direct supervisor. However, if you carefully follow the process described earlier, you should be able to eliminate this last option.

So, we are left with the first two options. It's clear why a poorly performing employee should not be asked to leave just because he fell short of expectations in one year. The employee must have fallen into that 10% bucket at least twice back-to-back.

The first time an employee falls into this 10% bucket, the direct boss and one-up manager should have a conversation with the employee to understand the reasons for the performance. If it's a small organisation, the business owner should also participate in this exercise with every single employee that falls into this bucket.

As an entrepreneur, do not feign to be too busy. Your primary job as a business owner is people management. If you manage your people well, then your people will deliver the results that you want.

After having this conversation, the company should design a programme to help the employee. It could be one or a combination of the following:

- Sign the employee up for training that can plug knowledge gaps
- Assign a mentor or coach to work with the employee during the year
- Change the employee's manager, if possible

- Move the employee to a new unit or department where they might be a much better fit
- Allow the employee some time off if it is a case of an unfortunate personal situation, especially if they previously had an excellent performance rating

However, I have observed that most people who fall into this category usually end up in the same poor performance bucket again the following year. The reason is simple. Because of the poor performance, unusual attention is paid to the employees' work output. Unfortunately, when the company trains its eyes on a poorly performing employee, it becomes a self-fulfilling prophecy. They will find mistakes and errors that would normally have gone unnoticed, which will reinforce the narrative. To achieve the best result, any such bias must be adjusted when re-evaluating this employee – as difficult as it sounds.

If, in the following year, in spite of your unbiased best efforts, the employee remains in the 10% bucket, then the employee should be asked to leave. The business owner or MD must not delegate this action. It is a painful one, but research shows a better outcome is achieved when the MD does this and does not outsource it to HR or some external organisation.

If it's a case of a mismatch of skills and roles, the company can recommend that or help the employee find a role in another company when possible.

In certain instances, a company might not have the luxury of waiting to pull this trigger. It might be a case where the company must deliver time-specific results, which, if missed, will significantly impact the organisation. In that case, if a team member is not performing, they

must be replaced quickly.

This should not be the norm, though. I would argue that a company that consistently hires wrongly, placing people with the wrong skill set in roles, should review their hiring process and correct this before an employee is hired to avoid damaging the employees' morale and confidence.

Finally, people management is one of the most important jobs of an entrepreneur. It is so critical, yet grossly overlooked. Even if you have a knack for attracting top employees, you still need to integrate them into the team and extract value.

Hire human resources personnel to support you in this activity when you can. The organisation will recognise an owner who is actively driving engagement and building a team that can deliver results. It took L&Z a couple of years to achieve this, but they eventually did. It is not something that can be done once and forgotten, but the team must be reassessed occasionally.

Have a Succession Plan

Would I be correct if I guess that the thought of a successor has never crossed your mind? 'What? A successor right now? Are you planning my demise?' I know this is a far-distant thought in the minds of most African entrepreneurs. And it may be too early for most entrepreneurs, given the stage of their companies. When an entrepreneur starts a company, the business's needs and requirements consume the entrepreneur. It is quite unlike what most people expect from entrepreneurship – an easy life. The contrary is the case.

Starting a company is like giving birth to a baby. If you have been through that experience before, you will realise how involved and demanding it is. You need a sixth sense to know what every baby's cry means. Is the baby hungry, tired, sleepy, hurt, or a range of several other possibilities? You synchronise your sleeping time with the baby's, and you are awake when it is awake.

A start-up is very similar in several ways. In the company's early days, most of the things you planned would probably not work, yet the entrepreneur needs to flex both the plan and the execution on the go. During these periods, the entrepreneur also wears multiple hats in the company, juggling roles that would have been filled by four to five people in more established companies.

It means that the entrepreneur works when the business needs them, which is all the time and not the other way around. Earlier in the book, I hinted at how you find several African entrepreneurs busy everywhere except with their businesses. Very quickly, they hire people and impose the mandate to run their businesses on these hires. It's simply wrong. Even when the business is a side hustle and the founder has another full-time role, it is still wrong. If the expectation is that you will quit your job someday and focus on this 'side hustle', then being present in that business in the early stages is crucial to its survival. As you will find out, the entrepreneur must understand the business holistically for a successful succession plan. Good knowledge of the industry makes the process easier and better governed.

But first, what is a succession plan?

According to CIPD, it is the process of 'identifying and growing talent to fill leadership and business-critical positions in the future'. The relevance of succession planning is not limited to large organisations

but also to smaller organisations and family businesses.

Investopedia says that ‘succession planning ensures that companies continue to run smoothly and without interruption after important people move on to new opportunities, retire, or pass away’.

People come and go; it’s one common denominator across companies. Some companies might be better at retaining their employees, but their departure is inevitable. People move on to better opportunities; some will travel and relocate, some will grow old and retire, and others will pass away unexpectedly. These and many other factors make employee departure an unavoidable event.

At one of our portfolio companies, a non-Nigerian general manager overseeing the farm and the processing mill departed without notice for replacement. The position he held was one we had feared would leave us exposed if he left suddenly. Fortunately, we had two people understudying him – one at the processing plant and the other on the farm. Even though we had to adjust the organisational structure and hire into a few roles on the farm to fill some gaps, we were not exposed.

Succession planning is not only just about finding a replacement for the entrepreneur but also, more importantly, about ensuring there is a plan to fill senior and critical positions in the company in the event of an unplanned departure. It also encourages the employees in their career progression within the organisation.