

# TAKING THE FAMILY AND THE BUSINESS FORWARD

## The Benefits of Corporate Governance

*Interview with Slim Othmani, Chairman, NCA-Rouiba*



On a small piece of Algerian land in 1966, Salah Othmani and his father Mohamed-Saïd began building the foundation for what is today known as one of the country's most successful businesses, NCA-Rouiba. By ordering the production of the tomato concentrate "Harissa" and various canned fruits, the brand soon gained momentum. In 1970, Salah joined arms with his brothers Mokthar, Said, El Hadi, Hocine and Mohamed to continue the business' growth. Today NCA-Rouiba is run by the third generation, headed by Chairman Slim Othmani and his cousin Sahbi who have refocused core activities around the production of fruit juices and non-carbonated soft drinks. In 2005, the family business underwent an important change by implementing corporate governance and so securing the investment of an important private equity firm which allowed the family business to expand considerably. NCA-Rouiba is now on the verge of being listed on the Algerian stock exchange under the leadership of Slim Othmani. Tharawat magazine speaks to Othmani about the importance of corporate governance in managing the family's expectations, the values that lie at the core of his businesses success, and plans for the future.





### **When did you start participating in the family business and how has your role evolved since?**

I was born and grew up in Tunisia, before I moved to Canada after I got my computer engineering degree. In 1991, I decided to return to Algeria. My return was motivated by the many discussions I had had with my father about the future of our family business. He knew that I was a computer engineer and that I might not be interested in our business, which was an agribusiness at the time. I came back and joined for a while which made me realise that I really wanted to give that touch of modernity to the business and make it more profitable and more efficient. Another reason kept me in Algeria, which was my sense of duty to my country, which at that period was going through a difficult time. It was one of the worst periods in our history, and I felt that I had a responsibility to my family, and toward my country, to be there. The third reason why I joined

was that I found my father growing tired of the business and I wanted him to enjoy life. I joined bringing my own projects for the family: We became the Coca Cola bottler for Algeria. I set up this new business with my uncles and my father, and ran it for two years, and then I took the control of our juice business. I also decided to have my own computer business to promote Microsoft products in Algeria.

As the eldest cousin and my father being the eldest brother of his generation, I'm in between two generations: The generation of my father and his brothers, and the generation of my cousins that are ten to fifteen years younger than me. I had a unique situation through that. When I started, I had to be really flexible and composed and find compromises. In family businesses, the process of compromise has a huge impact on the time frame of all projects. Many family businesses face this same challenge.

After a while I closed my software business. My core idea was to focus as much as I could on the juice business. I see the non-carbonated soft drinks as a huge opportunity in the region. I wanted to take this opportunity to become number one in the country. I became CEO of the juice company and my father remained president until 2006 when he resigned and I became the chairman. My cousin Sahbi was appointed general manager. I didn't hire him based on nepotism. I hired him because he showed impressive skills in what he was doing.

### **How did you and your family recognise that you needed corporate governance?**

When I started exploring the family business, I saw too much unfairness towards certain shareholders and toward employees. I realised that I did not have any means to do anything about this. Another point was that I felt it important to regulate our relationship with the business community in Algeria and the government. I knew that if I wanted to build our future, a sustainable future, and saw that without that corporate governance, I didn't stand a chance. I found out that it is one of the best means a family can deploy to avoid conflict. To promote the idea of corporate governance, I employed two

methods. The first one was internal, whereby I explained to the family why it is good to comply to corporate governance. The second method I undertook was to get involved in business associations promoting corporate governance in Algeria.

Fact is that ultimately it was the great growth we experienced between 1999 and 2004, which convinced everyone: By having a huge increase in sales there arose an important need for investment. We faced financial problems so I told the family that we had growing pains and that we had to find external funding. I visited the bank but they told me that we had reached the maximum level of debt, which was healthy for our ratio. The last possibility was private equity. When I looked at the prerequisites of an investment firm, I found out that corporate governance was mandatory. So I went back to the family, I told them we'd have to comply with the requirements of the investment firms to raise money. And that is how I got them on board. We went even further and I headed the Algerian task force who wrote the Algerian code for corporate governance.

**What has changed within the family and the business as a result of implementing corporate governance?**

I think the greatest added value has been fairness; it is now understood that the money of the company is different from the money of the family. In the past, all family members were asking for salaries, a situation that was unacceptable. During the first three or four years of our corporate governance being active we had a lot of friction with family members. It led to some uncomfortable situations, which I had to manage. Again I used the investment firm as a referee between me and other family members who didn't have the same agenda for the business as I did. Today, I would say that 99 per cent of the shareholders are happy with our system. They receive their dividends and are happy because they know where the cash is. So the business has dramatically changed in that respect.

It has also had a very beneficial impact on our employees: Most of the times to bring such change about you need accomplices,



NCA-Rouiba Factory

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and they are often employees. This is important because they must be aligned with our vision as our entire success relies on people. Whatever the change is that you want to bring about, if you don't have the right people, if you don't have the right leadership and if the people don't believe in your idea, you lose. Poor governance is the main reason why employees experience unfairness. Since we have implemented corporate governance rules, our people look at the management of the company in a different way. They respect us, because we show them respect and because we are transparent with them.

Our corporate governance is now key in the way we are organised and we have set our values accordingly with emphasis on human resources, quality, autonomy and responsibility, long-term vision, innovation, good leadership, commitment, and transparency. We have also revised our mission, which now runs simply as "Make our products available, affordable and acceptable to all our consumers and customers, in the most efficient way."

### **What are ways in which a family can regulate its relationship with the business?**

Our family lives and cooperates by a set of unwritten rules. In many ways our corporate governance has helped us enforce them. Also I have a key position in making sure fairness is preserved, for instance, we only hire family members based on competencies and we have a shareholder agreement that takes care of many issues that a constitution would cover. I use it

as a strong tool. The family members who are educated, have started understanding the need for the shareholder agreement in some situations which is good because it means that for the next issue that I need to sort out with some family members, I can bring them around the table and run the discussion based on the shareholder agreement.

In terms of other ways to regulate the relationship between the family and the business, I think it is important to find an outside advisor and confidant who you can trust. At a certain point, you need to have an external perspective on what is happening to your family business, which can lead to new ideas and further strengthen your chances of longevity.

### **What does listing on the Algerian stock exchange mean for NCA-Rouiba?**

We are preparing to go public, while retaining majority family ownership for the following reasons: Firstly, we need different sources of financing. Secondly, we need to have stock liquidity, which takes care of evaluating how much we owe family members that want to be bought out because everyone knows the values of the shares. The third point is that we started with corporate governance but it needs to be continuously improved in order to meet market standards and being listed is going to be an important part of that. Our fourth goal is to support our standing in the Algerian society and the business community, which listing is going to facilitate. Our fifth reason for listing, is that it will allow us exit the investment fund which is an important message to send to the international business community: The Algerian stock exchange provides businesses an exit strategy out of other financing scenarios.

We want to be a successful regional business. We have our expansion plans ready but it takes time. One of the greatest challenges we face is the fact that our region is weak at managing the most important resource: Time. We compromise the future of many young people, because we fail to act in good time. Family businesses have an important role in setting an example of how to do things differently. ◆