

# Closed Loop: the art of succession planning

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Sarah Boyd and Linda Ronnie

## Introduction

### Case A

Alex Martin leaned back in his chair and scanned the photographs against his office wall. Each brought back a happy memory of a different hiking expedition he had taken with his wife and fellow adventurer, Jennifer, over the years: countless climbs on Table Mountain, of course, several in the Cedarburg Mountains, and even Kilimanjaro. As founder and Chief Executive Officer (CEO) of the insurance software development company Closed Loop, Alex's time had been extremely limited over the past few years and he had not been able to embark on as many of these adventures as he would have liked. However, as a climbing enthusiast, he had transferred his love for exercise into his company. The Closed Loop office, located in the northern suburbs of Cape Town, South Africa, had an in-office gym, a registered running club, and a team of energetic, active employees.

Still, Alex's competitive instincts left him hungry for new challenges, as both an athlete and an entrepreneur. After almost 11 years at the helm of Closed Loop, he was handing the baton on to a worthy successor and looking ahead to the next mountain. He had enjoyed the past few months of the handover process, but only time would tell if he had made the right decision. Alex admitted that he was a control freak and letting go would not be easy. Closed Loop was his "baby", and he had nagging doubts about whether anyone else would be able to care for it, as well as he had. However, there was no turning back. Months of planning and care had gone into mentoring and preparing his successor to take over. The rest of the staff and their clients were all on board.

Later that night, as he and Jennifer sat in their kitchen engaged in one of their customary late-night talks about the future, he finally felt ready to make peace with the change.

"It's time for me to accept my new identity," he told Jennifer. "I'll always be the founder, but I'm no longer the CEO."

## 1. Closed Loop

Moving to South Africa from Scotland, Alex founded Closed Loop as a consulting company in Cape Town in 2000. At 42, he was a first-time entrepreneur coming to the consulting space with 20 years of experience in the insurance industry. As Alex began to lean further into his considerable past experience – and professional network – Closed Loop settled into a niche market by positioning itself as a developer of software-based solutions for insurers. Starting in 2002, they offered customised software packages, maintenance and support services, and business analytics services that addressed the specific needs of small- and medium-sized insurance providers ([Exhibit 1](#)). Such needs included website development, internal process optimisation, sales management tools and customer relationship management systems.

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Partnering with Tim Devers and Marcelle Swart, Alex brought the financing and the client base, whilst his co-founders brought the processes and people to deliver on the demands. Within 10 years of delivering their first custom software package to a Dutch client, the company had grown from a small team of consultants to an organisation of 125 people, and was now churning out over 100 projects per year ([Exhibit 2](#)).

Their client base was predominantly international with 90% of revenue coming from outside South Africa, a significant percentage of which came from Europe. Few South Africans even knew of the company's existence apart from the employees.

As of 2013, Closed Loop had three classes of competitors ([Exhibit 3](#)). Large software as a service (SaaS) companies offered technological solutions but did not focus specifically on products for the insurance industry. Then, there were several small companies who delivered customised information technology (IT) services. They also faced consulting firms and project management companies that provided general consulting services to insurance firms.

## 2. Management philosophy

Alex took tremendous pride in the team he had developed to deliver the tailored solutions that gave Closed Loop its competitive advantage.

"We are a learning organisation," Alex would explain to new recruits. "People with two to three years of experience at Closed Loop are the equivalent of those with many more years of experience elsewhere in the industry."

Closed Loop achieved this through their hiring and induction approach, which involved recruiting talented people directly out of university and fast-tracking their on-the-job learning so that new hires could deliver at a high level in a relatively short period of time. A significant portion of their managers had been groomed for their positions in this way: recruited after graduation and moulded over time to align with the organisational culture. One of the key tools for facilitating this alignment was the performance review system. Instead of annual appraisals, staff members received performance feedback on a monthly basis. Alex found that these frequent feedback cycles promoted employee learning and resulted in faster development.

This strategy was paying off for Closed Loop on many fronts. As the industry moved further towards tech-based solutions to drive efficiencies, companies like Closed Loop were increasingly dependent on the skills and expertise of the millennial workforce that was steadily populating their ranks ([Exhibit 4](#)). No doubt, a significant part of their success was owed to the talented young developers they were able to attract with the promise of upskilling and professional experience.

The level of training that Closed Loop employees received from day one prepared them to be leaders at a relatively early stage in their careers. Most of their managers were in their early 30s. As a result, many left the company to occupy higher positions in other organisations. However, retention was not a major concern for Alex; he felt it was important to prepare Closed Loop employees to perform at a high level regardless of how long they stayed. In addition, they had grown enough people internally to fill out their management team, so they were in a good position. Of course, once the idea of leaving his role as CEO entered into his head, Alex began to interrogate this management philosophy and what it meant for selecting a successor.

## 3. The succession plan

### 3.1 *An ideal successor*

By 2013, Alex seemed to be getting signals from all sides that it was time to step down. The exit of co-founders Tim and Marcelle in 2009 and 2012, respectively, had left him quite lonely at the top. Then, there was his own ambition to branch out and take on the next entrepreneurial challenge. However, most importantly, he sensed that Closed Loop was

ready to innovate in both existing and new directions. Speaking to Jennifer, his only confidante, in another late-night chat, Alex confessed:

“The hard truth is that I’m burnt out. I don’t have the energy and enthusiasm that the company needs to get to the next level.”

A senior manager herself, Jennifer had her own ideas about what the future could hold. Selling was an option, of course, but she acknowledged Closed Loop was still Alex’s baby and he couldn’t easily just sell it to the highest bidder.

“Maybe the best thing for you and Closed Loop,” Jennifer offered, “Would be to pass the torch to someone you trust – a worthy candidate you can mentor and nurture to take the company where it needs to go. Someone you can continue to coach and have a relationship with after you’ve officially left.”

Alex agreed this was the first prize, and he was certainly willing to invest the time and energy needed to prepare the incumbent CEO. It was decided: he would begin the process of identifying an ideal successor.

He wanted someone who would continue to make Closed Loop a place where employees felt engaged, shared a sense of community and wanted to come to work every day. This person would be tasked with pushing the company further, professionalising areas of the business and expanding their leadership as a learning organisation. Alex also wanted someone with the vision for growing the company in size and opportunities.

It seemed like a tall order, but he recognised that there was someone within the company already who had the potential to become that CEO. More than that, he suspected this person could surpass him in leading Closed Loop towards bigger and better things.

### ***3.2 Promoting from within***

Neevan Chattry was the poster-child for the employee who diligently worked their way up the small medium enterprise (SME) management ladder. He joined the company as an entry-level sales account manager straight out of university in 2004. Now, nine years later, he was the head of business development.

Alex had observed Neevan’s rise over the years and noted his potential for executive leadership. Now, Alex felt Neevan was ready to step up. Consulting with Tim, his former partner, Alex explained why he saw Neevan as a worthy successor in spite of his relatively young age.

“He has grown with the organisation and understands what makes it tick and what our strengths are. He also understands our weaknesses,” Alex said.

Confident that Neevan met his criteria, Alex approached him in early 2014 with a series of discussions about his future. Alex needed to know what Neevan wanted from his career and what alternative career plans he might be contemplating. Especially, as the stakes were so high for Closed Loop, Alex felt committed to his management philosophy of supporting employees, even if it meant that they would move on to a new firm.

Looking back, Alex remembered how flattered and mutedly excited Neevan was by the prospect of leading the company. After dedicating so many years to Closed Loop – he had one of the longest tenures among the team – Neevan seemed to see the offer as a victory, one he would gladly if humbly, accept:

“I don’t think any of us anticipated you were looking to leave, Alex,” Neevan explained in their second meeting. “And I, myself, probably have a lot to learn still. But if Closed Loop needs a leader, I’m prepared to do what it takes to step up to the task.”

Alex could see Neevan was aware of the challenge that lay ahead and he was ready to face it head on. Still, if he wanted a smooth transition, Alex would need to manage a well-planned

handover. He knew Neevan would need to be guided into the role and prepared for the new responsibilities of a CEO. At the same time, he was painfully aware that if he hung on too long, if he lingered in the company, seemingly looking over Neevan's shoulder, Neevan would never have the autonomy to truly lead.

### **3.3 Preparation**

Alex had been pushing for the company to take succession planning more seriously for some years now, ever since the company had transitioned from a startup into a thriving SME. With so many employees and customers dependent on Closed Loop, it would be negligent not to formalise business continuity plans. They needed to train their eye on sustainability, but it wasn't until now – when they were filling the highest position in the company – that necessity forced them to take action.

As part of this process, Alex first identified an internal support network of people who could assist in getting Neevan ready to take on the job, so that he was not the only person involved. Next, Alex did his homework. He studied the best practices for succession planning and consulted with other leaders, both inside and outside the company. To his dismay, he received a lot of conflicting advice.

The one thing he seemed to get right, according to all sources, was his foresight in grooming and identifying possible talent. His investment in employee development and his recognition of promising leadership potential in Neevan meant that he was already ahead of the curve. This gave Alex assurance until one night Jennifer questioned his focus on Neevan:

“Are you sure you haven't overlooked other candidates of equal or greater potential in the company?” she asked. “You know it can happen that sometimes you get so caught up in a single person because they seem to tick all the boxes on the surface – what you think you want – that you put on the blinkers and don't see the person your firm actually needs.”

It was true, Neevan had become singular in Alex's eyes, but that was because he was the obvious frontrunner. He had been a standout for so many years – how could anyone else even come close? In a similar vein, the literature on succession planning also opened the door to recruiting from outside the company. Alex had not even wanted to consider this possibility; he thought Closed Loop needed someone it could trust, someone who understood the company from the inside-out, to lead it.

However, then he remembered Jennifer's words: *the person your firm actually needs*. It all depended on the vision for Closed Loop. In separate meetings with his former partners, they both asked him what he wanted for the company, where he saw it going. Depending on how ambitious the company needed to be, they told him he might need to consider an outsider to shake things up. The literature recommended that he take some time to map that vision for the organisation in greater detail before making any decisions regarding selection, training and handover.

It was a conflicting time for Alex. He was talking with experienced professionals, consulting captains of industry and reading works from leading scholars, all with slightly different takes on the best practices for a small business like his. Which angle or opinion would he follow and which would he discard?

By August, Alex had reconciled the different opinions in his own mind and devised his own version of the CEO's succession plan.

## **4. Implementing the succession plan**

### **4.1 Briefing the candidate**

Ultimately, Alex decided that Closed Loop's need for a leader who was already aligned with the company culture far outweighed the temptation for, and the risk of, new energy from an

outsider. It was Neevan all the way. Starting in September 2014, Alex initiated a six-week briefing process, during which he brought Neevan up to date on the details of the organisation and the financial background of the past few years.

#### ***4.2 Bringing the team on board***

Once Neevan was clued up, the rest of the management team had to be brought on board with his imminent leadership. In Alex's mind, their support was not to be taken for granted. At 34, Neevan was neither the oldest person at the company nor was he the employee with the most work experience – obvious factors that Alex anticipated would prompt questions from the other managers. Selling Neevan's fit as CEO to management and staff required a lot of one-on-one conversations. Alex followed this process with group information sessions where the management team briefed Neevan on their areas of involvement and their perspectives of the company.

The announcement of Neevan as successor created a ripple effect in the organisation from the excitement around possible advancement opportunities for other employees. This was a selling point that helped persuade staff buy-in to the leadership change.

#### ***4.3 Co-leadership***

Even if they had warmed to the idea of Neevan as CEO, the team still had to get comfortable with the reality of working with Neevan instead of Alex. Alex tried to ease the transition with an eight-month adjustment period in which he and Neevan were co-leaders, working side-by-side on executive tasks and conferring on decisions. This was not a new situation for Alex since he had experienced a similar relationship with his former partner, Marcelle. There had been times when Alex would travel and Marcelle would make decisions in his absence. However, they would always touch base on important decisions.

This period of co-leadership, however, proved tricky. They were using twice as much time to do tasks than they normally would, and the rest of the team was uncertain about who to go to for decision-making. It was not an efficient use of time, but Alex thought it was a necessary investment in Neevan's learning to ensure a smooth handover.

#### ***4.4 External mentorship***

In addition to providing his own advisory to Neevan on company-specific information, Alex designed a mentorship programme with an external coach whom he respected and trusted. This process continued during the past months of 2014 and the beginning of 2015.

#### ***4.5 Role change***

Alex had to decide what his relationship with Closed Loop would be once he stepped down as CEO. Rather than step away entirely, he decided to remain involved as a representative of the shareholder. This would allow him to maintain an official connection with the company as board chairperson without being involved operationally.

Alex followed this up with a plan for communicating the transition to the entire organisation and the main suppliers and clients. This process was concluded by the end of January 2015.

Following a short company briefing, Neevan officially took over as CEO on 1 June 2015.

### **5. Conclusion**

Even though the official role change had taken place – Neevan was CEO and Alex was chairperson – Alex was still struggling with the psychological role change. In his capacity as

chairperson he was still coming to the office up to four times a week. In addition, he was sitting just a few steps away from the new CEO, still engaging with the same people from the company he had for the past decade. Could he maintain the balance of being involved without interfering? He admitted his uncertainty to Jennifer:

"It's important for me to get comfortable with the fact that somebody else is going to be running what has always been my company – my baby. Somebody else will now be my child's parent and I actually need to let them have that input without interfering. That will be a very tricky thing to do."

This would mean refraining from enforcing his opinion in certain discussions. It would mean only offering advice to Neevan in private conversations and then allowing him to choose the course of action. Calling to mind her own experience with torch-passing to younger managers at her company, Jennifer pressed the issue:

"You say you will 'allow' him to make choices, but really, you shouldn't make assumptions about Neevan's position in any decision. There is also the likelihood that he might not always follow your advice. And whether he's right or not, he will need the space to figure that out for himself. I know it's not easy, but you'll have to learn to trust that."

She was right. At the end of the day, Alex and Neevan both had to do what was right for Closed Loop, and only time would tell if the steps they had taken so far were leading the company in the right direction.

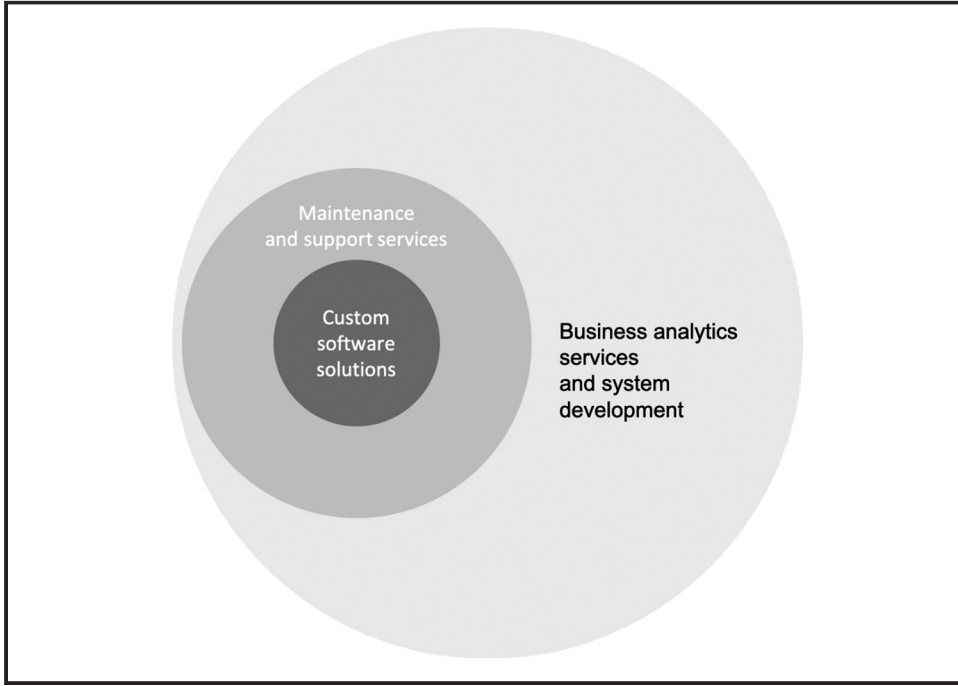
*Keywords:*  
Leadership,  
Entrepreneurship,  
Sustainability,  
Organisational behaviour,  
Succession planning,  
Tech startup,  
Strategic change,  
Disruption

## Notes

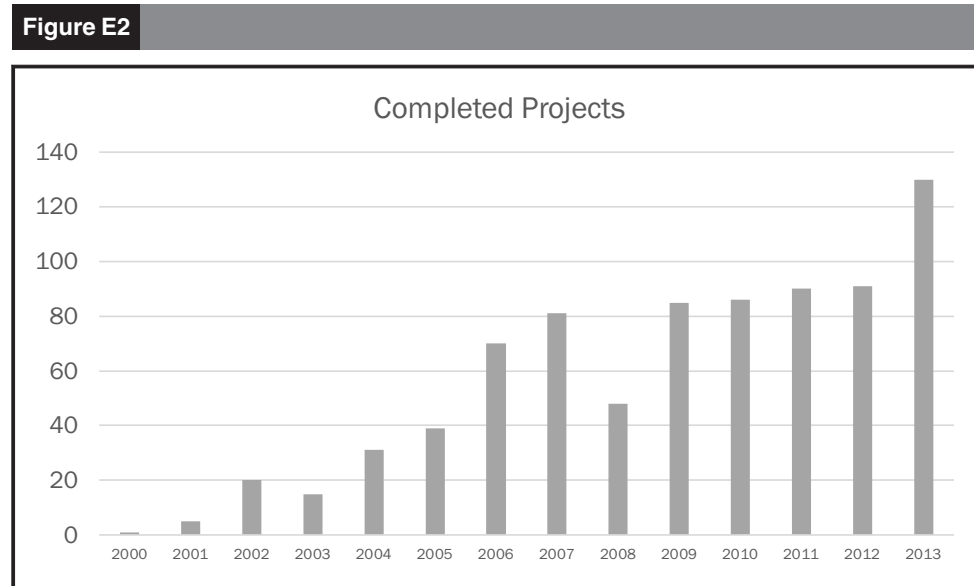
1. [www.fintechmagazine.com/fintech/fintech-profile-lemonade-ai-driven-insurtech](http://www.fintechmagazine.com/fintech/fintech-profile-lemonade-ai-driven-insurtech)
2. Insurtech, or insurance technology, represents a variety of approaches that use technological innovation to optimise different aspects of the real estate industry in the same way Fintech optimises the financial services sector.

Exhibit 1. Closed Loop product and service offering

**Figure E1**



## Exhibit 2. Growth of Closed Loop



## Exhibit 3. Closed Loop competitors

**Table E1**

	<i>Internal competencies</i>		
	<i>Consulting capabilities</i>	<i>Technical expertise</i>	<i>Industry expertise</i>
Closed Loop	✓	✓	✓✓
SaaS solutions	✓✓	✓✓	
Consulting firms	✓✓		✓
IT services		✓	✓

## Exhibit 4. Age breakdown at Closed Loop

**Table E2**

<i>Organisational role</i>	<i>Age group (years)</i>		
	<i>22–30 (generation Y)</i>	<i>31–40 (split)</i>	<i>41–50 (generation X)</i>
Senior Management	0	5	3
Middle Management	4	16	0
Account Managers	10	5	0
Developers	30	4	3
Support Team and Analysts	40	3	2

### Case B

As he waited to board his flight, Alex Martin thought about all that had happened over the past few months. It was early June 2017 and he and his wife, Jennifer, were on their way to a remote destination for a special family celebration. He would be out of reach with intermittent cellphone coverage, which he found very frustrating because at the moment, he had a crisis on his hands.

In 2015, a promising young manager at his company Closed Loop had succeeded him as CEO. Neevan Chattry's appointment was preceded by an extensive handover process to ensure he was prepared to take Closed Loop to the next level. Now, just yesterday, Neevan had announced his decision to resign after only two years at the helm.

Alex was caught off-guard by the announcement. To be sure, the company had been experiencing some challenges over the past few months, but he had been confident that the management team would rise to the occasion.

"What had gone wrong? Where had he failed? Had the succession plan been flawed from the start?" Alex contemplated. The most important question, however, was about the immediate future: Who would lead Closed Loop?

### 1. Background

Alex founded Closed Loop in 2000 as a small consulting company that quickly evolved into a software solutions company catering to the specific needs of the insurance industry. They created custom software packages, provided support services and offered business analytics services that allowed insurance firms to optimise their operations. Their client base was predominantly international with 90% of the revenue coming from outside South Africa.

Closed Loop grew rapidly over a short period, taking on over 100 projects per year by 2013. By this point, Alex was burnt out and lacked the energy and the enthusiasm to take Closed Loop to the next level, in spite of the growth opportunities he saw for the company. Not wanting to sell the business outright, Alex began planning his exit and scouting for a successor. By early 2014, he had identified Neevan Chattry as the most promising candidate for the job and approached him for the position.

Neevan had been with Closed Loop for 10 years and was the head of business development. Like many Closed Loop employees, he had been recruited straight from university. However, Neevan was one of the few who had stayed beyond the typical two-year stint of most developers and account managers and worked his way up the management ladder. After Alex approached Neevan about moving up all the way to CEO, the two spent 18 months preparing for the transition. In June 2015, Neevan officially assumed the role.

With Neevan at the helm, Alex gradually disengaged himself from operational matters and maintained his involvement only as chairperson of the board. However, in June 2017, with no warning, Neevan resigned as CEO. Now, looking back on the past three years, Alex tried to piece together the events that had pushed or pulled Neevan out.

## 2. Calm waters

As ever, Alex found himself drawing in his wife and peer mentor of sorts, Jennifer, to review the facts of the case. She had been there to work out the details of the succession plan with him three years before, drawing on her own experience with talent management at her accounting firm. Now, sitting in the airport lounge on the way back to Cape Town, they would carry out the post-mortem together:

“I don’t think there’s any question that I stepped out of the business at the right time,” Alex said to kick things off. “And there’s no doubt in my mind that Neevan was the right person to take Closed Loop forward at that point in time.”

The pitch to Neevan was that his tenure as CEO would be about growing the company’s market share: taking their solid value proposition and core competencies and securing more clients. Having joined the company when they were first developing their software offering, Neevan understood the business and had grown with it. In addition, as a beneficiary of the company’s exceptional professional development strategy for employees, he had the experience and wisdom of older, more experienced managers at similar firms. However, as someone in his early thirties, he still had the energy and youth that Alex hoped would keep him in touch with newer market trends and younger staff members, who represented a large proportion of the firm.

Neevan did not disappoint – he made large strides from the onset. He professionalised the sales and marketing functions within the business and also added structure, processes and decision-making hierarchies that increased Closed Loop’s efficiency. He built a rapport with the senior management team that seemed to foster respect and unity among them, allowing them to co-ordinate well. In short, he was a brilliant manager:

“In that respect he was very well suited to the role,” Jennifer recalled in hindsight. “It all seemed to be working wonderfully when the waters were calm. But then, somewhere around early 2016 things started to change.”

Alex remembered that period quite clearly: when all the progress that had been building under Neevan’s fresh leadership began to fade as the weather changed and their competitive landscape fundamentally shifted.

“Of course, you had a role to play in shaping that change at Closed Loop,” Jennifer reminded Alex.

## 3. The rise of Insurtech

When Alex stepped back as CEO, he had hoped to create more space for himself to concentrate on other ventures, spend more time with his family, and pursue his passion for mountain climbing. However, inadvertently, the move had also created more opportunities to think about Closed Loop and some of the challenges that the company was facing. His new role as chairperson, distant as it was from the business operations, had allowed him to adopt a “big picture” mindset. He found he was able to spot trends better than when he had been at the coalface.

In the year after Neevan took over, Alex began to notice that, in spite of Closed Loop’s increased investment in marketing, sales had not picked up and the company had plateaued. However, crucially, he could see that this was not because the company was spending in the wrong way or because they had ineffective people on the task. Neevan was still leading the company well in that regard. It was because the industry was changing and the niche they had carved out for themselves was under threat:

“Look, disruption was coming for everyone, it was only a matter of time before it came for insurance,” Alex said, with just a hint of defensiveness. “Already you could see the industry was moving away from web development to cloud computing and integrated solutions. The writing was on the wall and I wasn’t going to sit by and wait for the board and the senior leaders to figure it out too late.”

He was talking about Insurtech, the growing field of startups vying to make buying insurance completely frictionless. It was following the same trend set by Fintech – the field of digital financial service providers – in step with a series of other – techs (Contech, Proptech, Foodtech). However, where Fintech had been developing slowly over a 15-year

period, Insurtech was growing from a smaller base over a shorter period. Investment in these firms had surged exponentially, seemingly from nowhere and several companies had entered the space to provide insurance directly to customers via digital platforms ([Exhibit 5](#)). Insurtech wasn't just going to eat Closed Loop's lunch; it was going to destabilise the entire food supply chain Closed Loop depended on. Alex was quick to vocalise his concerns to the other board members:

"Fair enough," Jennifer acknowledged. "If you see an iceberg ahead, whether you're the captain of the ship or the deck hand, you sound the alarm. You did the right thing. But once you've raised awareness, what you do next is another matter."

#### 4. Reinvention

Alex realised that Closed Loop could not continue on its current trajectory of business as usual and expect to grow. Towards the end of 2016, as the greater leadership team came to this same realisation, Neevan and his executive team began holding strategy sessions to discuss the way forward. In these discussions, Alex remained sensitive to the fact that he was no longer the chief moderator, but it quickly became clear to him that he was at odds with Neevan's team about the company's situation.

"They had no sense of urgency. Insurtech was a major threat, but one that we could clearly turn into a major opportunity," Alex offered.

Alex began agitating for a level of change that Neevan was not. He wanted to hear big ideas and suggestions from the management team about how to respond to the rise of Insurtech, but the response from Neevan and his team was not forthcoming. Alex found it difficult to remain silent in the face of their passivity:

"Yes, but maybe what you saw as 'passivity' was actually just a reflection of different values or priorities. Your vantage point as an insider on the outside was so different," Jennifer responded. "I fell into the exact same trap a couple years ago with my new audit managers when I moved up to ExCom. I found myself getting so frustrated with them. It was like they just had no drive to take charge, innovate, or experiment in any way. But then I realised it wasn't that they were lazy or didn't care. It was that they had spent several years being good little soldiers the way we taught them and now I was expecting that they could just flip a switch and go wild with new ideas and initiatives. But people don't work that way and it's not fair to expect them to."

Perhaps there was something to Jennifer's observation. It's true that Neevan was a hard worker and dedicated to Closed Loop – no one could accuse him of lacking ambition. In addition, yet, Neevan was so unwilling to entertain any kind of significant change. Why was that? Alex recalled one of his exchanges with Neevan in late 2016 when the frustrations that had been simmering between them finally boiled over. They were in Neevan's office and Alex was pressing him to formally explore automation as a new offering, but Neevan was resisting. He couldn't remember Neevan's exact counterpoints, just what he said after 30 min of back-and-forth:

"You know, Alex, you announce these ideas like you're the only one who has a vision or sees the potential for innovation," Neevan explained, growing more emotional as he went. "Then you talk to us – to me – like we're just weighing you down, not moving fast enough for you. But with all due respect, we do have ideas, and it's not all about you!"

From the other side of Neevan's desk, Alex had deflected Neevan's point, refusing to let the conversation take this turn: "Insurtech is coming. All that matters is that we act and act fast."

Neevan had stared at his desktop monitor and let out an audible sigh, clearly exasperated and thinking carefully about what to say next. Alex had not realised it, but Neevan had the company website pulled up and was staring at the "Team" page where the name of Executive Chairperson Alex Martin sat perched atop the entire leadership team ([Exhibit 6](#)). "I'll meet with the senior managers to make a proposal," Neevan said flatly.

Looking back on it, Alex conceded that he might have stepped on some toes in voicing his frustration, but he had been careful not to offer or impose any solutions. It still fell to Neevan and his team to steer Closed Loop in the right direction, however, they saw fit. By the time 2017 arrived, everyone had reached the same conclusion: Closed Loop would have to reinvent itself to achieve a sustainable future. However, such reinvention would require a step back from the aggressive year-on-year growth strategy that Neevan was pursuing at

the time. In addition, the change in strategy would likely distract from normal operations. Revenues would suffer and costs would be driven up as Closed Loop invested its time and capital in repositioning the core business. As far as Alex was concerned, there was only one logical next step:

“We had to shrink the company – it was the only way we could withstand the turbulence of change and come out the other side,” Alex asserted. “But I could see that the management team was not comfortable with overseeing that change.”

Alex remembered how Neevan had responded when he had made the suggestion:

“Alex, there is more to a business than cannibalising it for a new opportunity. Yes, we need to change and adapt to stay competitive, but we need to find a way to do that and still keep our people together – for them and the company. That’s the solution I’m interested in.”

That had been three months ago, when Alex, Neevan, the board and the other senior managers had met to discuss the possibility of retrenching a portion of the team to free up cash for developing a new service offering. It was still fresh in Alex’s mind.

“Still, I didn’t see Neevan’s resignation coming at all,” Alex said.

## 5. Founder versus hire mindsets

“Maybe the fact that it came as such a surprise is a clue to the real problem,” Jennifer suggested. “Your mindsets were much further apart than you realised.”

The more they talked about it, the more Alex realised how different the mentality was between a founder CEO and a hired CEO:

“For a person who has been hired into a role where he has to build on an already successful base, risking that position with a new, untested strategy that might result in huge failure is a lot to handle,” Alex said. “The only person who can really feel comfortable with cannibalising a business that way is the founder.”

One of Alex’s friends, a fellow entrepreneur, had actually warned him about the founder versus hire mindset years ago, but he had not really thought of it again until now. Generally speaking, hires were more apt to consider the risk to their careers and reputations when making decisions. The founder, on the other hand, was less risk-averse, more optimistic and more focussed on maximisation than the potential loss. Alex understood that this meant founders had greater freedom to make risky decisions because they had started with a baseline of zero. Neevan, on the other hand, was coming in with baseline revenues of R70m to R80m. For Alex to go back to revenues of R40m or R50m would be okay. For Neevan, it would be difficult to do this and still be regarded as successful.

Jennifer agreed: “And then you ask him to do that in his first two years of leading before he’s built up a track record and, yeah, it’s a lot of pressure. Plus, let’s face it, he’s more representative of the Closed Loop workforce than you are – he was an employee for ten years and not that much older than them. He identified with them. When you talk about cutting a third of the team, thinking like the visionary entrepreneur you are, all he can think about is how dependent those folks are on their jobs and what an unnecessary sacrifice it seems like when you can just carry on running a good business.”

So maybe it was not that hard to understand Neevan’s decision. In addition, as disappointed as he was with it, Alex found himself being pulled more to questions about the future. He was still the founder and he felt responsible for seeing Closed Loop through this crisis. As he and Jennifer boarded the plane back to Cape Town the following week, he already had some semblance of a plan in mind.

## 6. Closed Loop, reinvented

Alex maintained – to himself, to Jennifer, and to the board – that the succession plan would have worked, and Neevan would have been able to carry on, had the industry not changed. However, seeing as it had, Alex was now back at the helm and he needed to focus on reinventing the company. They would continue to leverage their insurance industry expertise but augment their value proposition with more sophisticated tools and expansive services. In pursuing this avenue, they would come up against strong competition who had

been in the stream for some time. He, therefore, identified robotic process automation (RPA) and managed services as potential growth areas that would allow Closed Loop to become a viable challenger in the space.

The slump that accompanied this reinvention process lasted longer and had bigger reverberations than expected, extending to November 2018. Late in 2017, their largest client decided to outsource all of their IT to one supplier, but Closed Loop lost the contract by a hair. Then, in 2018, just when the company looked as if it could weather the storm, their second biggest client migrated away from technology-based solutions. Closed Loop responded with a voluntary retrenchment exercise in March of that year.

But by the time the market stabilised in late 2018, Closed Loop's reinvention strategy had allowed the company to re-emerge as a global market leader in the automation of the digital solutions for the insurance industry. Alex was confident that because of their re-positioning efforts, the company would be able to command a larger slice of the Insurtech pie in the future.

## 7. Conclusion

By 2019, Alex's prediction about the industry seemed to have materialised. Artificial intelligence-driven Insurtech unicorns like Lemonade [1] in the USA were sprouting up and gaining serious traction to give Closed Loop's clients a real run for their money. Now, more than ever, their clients needed fully integrated, cutting edge solutions to remain relevant. In addition, Closed Loop was there to provide that with newly acquired RPA consulting and implementation expertise, specialised support for the most popular industry software, innovative software solutions and managed services ([Exhibit 7](#)).

As for the state of Closed Loop as an organisation, Alex was happy with his team. Through the reinvention process, which had pushed them to develop new skills and expertise, they had developed a strong sense of their new identity as a customer-oriented services company. In addition, with that had come a new culture of creativity that began to mirror Alex's own passion for innovation. These days, it was not unusual for the developers to run cycle-a-thons in the office to raise money for charity or volunteer with youth outreach programmes that promoted opportunities in the technology sector. In many ways, Closed Loop had become everything Alex ever wanted in a business.

It was no surprise then that Alex had no new succession plans on the table. He resolved to continue looking for opportunities to develop promising individuals in the company, but he no longer felt pressure to line up his replacement:

"Closed Loop needs me right now," Alex realised. "For the present and certainly the short-term future, I can look after it."

Figure E3

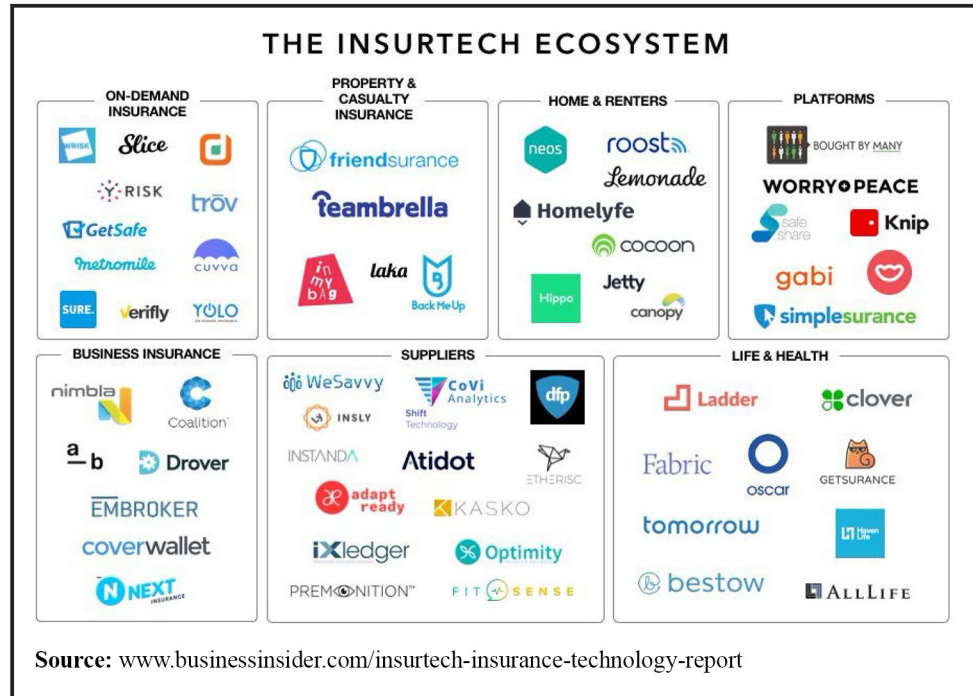


Exhibit 6. "Team" page of the Closed Loop website from 2012 (top) and 2015 (below)

Figure E4

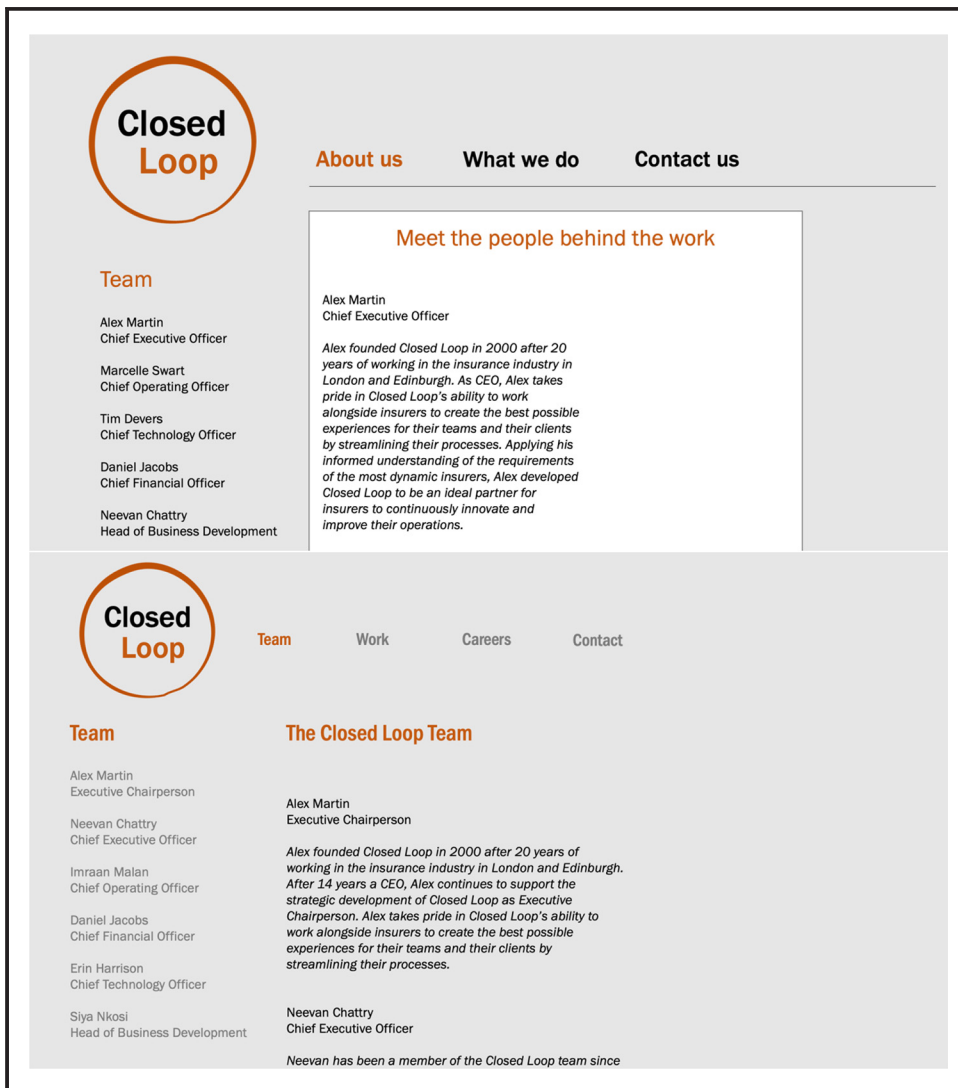
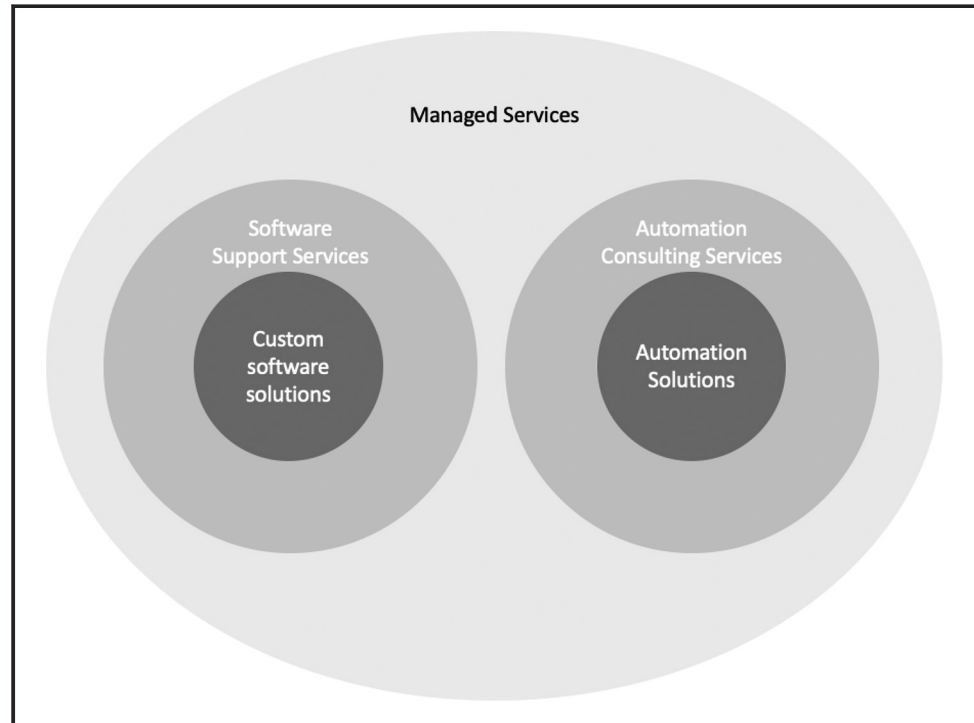


Figure E5



#### About the authors

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