

Succession Suggestions from India

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Family businesses drive the world's economy. Whether a country is labeled as "developed" or "emerging" or "third world," at the core of each country's economy is its family businesses. The World Bank estimates that anywhere from 60 to 70 percent of the world's gross domestic product is derived from family businesses.

India, boasting a population of 1.1 billion and often categorized by the media as a "rapidly emerging country," has long been a nation driven by family businesses. And like other countries dominated by family businesses, India and its families are constantly working to ensure successful transitions from one generation to the next.

At the recent 9th Congress of Indian Industry Convocation of Family Business, held in Mumbai (Bombay), we had the opportunity to engage a number of prominent Indian family business owners and executives in a dialogue about effective succession. In a room filled with a combination of senior-generation leaders, next-generation potential leaders and non-family executives, the environment was conducive to lively interaction around succession topics that are often left unaddressed. Candid and direct, each group's responses to the following questions can be instructive and helpful as you work through your own family business succession.

The question posed to the senior-generation leaders:

What business and family leadership advice would you give to the next generation?

Pass on our values. This was the number-one response. Senior leaders want the next generation to carry on the guiding principles that help each company navigate. As Jim Collins has written, "Instead of changing core values, a great company will change its markets, seek out different customers, in order to remain true to its core values."

Effectively balance the family business and the business of the family. Most leaders have been out of balance at some point in their business-building career. Senior leaders underscored the importance of spending quality time with family. Don't let the family business overtake your personal time with family members. One senior leader said to grow and prosper the business but not at the expense of the family. Some of the next-generation leaders are concerned about leading both the family business and the family. However, it was pointed out by a senior leader that the next generation can take over the former without having to assume leadership of the latter.

Other advice from the senior generation to the next generation included:

- Continue to honor and carry forward the family heritage.
 - Provide regular get-togethers with family to help members bond with one another.
 - Gain a strong education and meaningful experiences that could benefit the business and leadership development.
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- Be sure to have a planning process in place with an appropriate structure.
- Create an entrepreneurial and innovative work environment.
- Always be on the lookout for change and be open to change
- Lead to serve the team.
- Develop or refine a family constitution.
- Protect the family assets.
- Provide transparency of the business to the family.
- Be open and honest, including with family members' spouses.
- Listen to input, but make your own decisions.
- Work outside the family business and gain your own identity prior to coming into the family business.
- Join the family business only if you believe you can make a difference.
- Be willing to make sacrifices.
- Remember that leading the family business can be enjoyable and rewarding.

The first question posed to the next-generation leaders:

What do you feel are your greatest leadership challenges and obstacles?

Gaining acceptance and respect of employees. The younger generation feels it is imperative not only to gain the official position of leadership, but to earn the support of the people in the organization. The next generation understands that a leader cannot effectively lead alone. As family members taking over leadership roles, next-generation leaders feel the pressure of proving to others that they have what it takes to be a leader—that the position was not given to them just because they are family.

Keeping sibling relationships strong. The family business can both strengthen and weaken family relationships. The next generation understands that it is very important to keep these relationships strong. Many have seen the previous generation weaken or destroy sibling relationships. They do not want this to happen in their generation.

Other challenges and obstacles for the next generation include:

- Coming out from the shadow of the senior generation.
- Balancing the integration of the established culture with a new culture.
- Growing profitably.
- Recruiting and retaining good people.
- Ensuring that the senior generation continues to have good life.
- Prioritizing and selecting the right opportunities for development.
- Maximizing value for the shareholders.
- Keeping the senior generation from always looking over the next generation's shoulders.
- Changing mind-sets.
- Adding more family members to the business.
- Creating a common vision that both generations share.
- Building the evolving culture.
- Differentiating between leading the family business and leading the family.
- Leading the organization to the next level.
- Addressing family conflicts openly.
- Professionalizing the organization.

The second question posed to the next-generation leaders: **How can senior generations help?**

Let GO! This was a clear, emphatic message from the next generation to the senior generation. Some of the senior leaders acknowledged that it is enormously challenging on a psychological level to fully relinquish the reins to new leadership. However, for the next generation to truly lead, including making their own mistakes, they must feel fully empowered to make decisions and execute plans.

Mentor and transfer knowledge. "Please teach us" appears to be what the next generation is requesting of the senior generation. There was a distinction made

between “tell us what to do” and “explain why and how something could be done.” Mentor and guide instead of directing. Members of the next generation have a huge appetite for knowledge, and they want to apply what they learn and then learn from the experience. It takes a savvy senior leader to act as a mentor to an adult instead of a father to a teenager, which most feel like.

More ways the senior generation can help:

- Help make the transition from “my” culture to a professional culture.
- Complete the family constitution.
- Have in place a strong organizational structure with leadership grooming guidelines.
- Act as a strategic sounding board.

- Help family members become attuned to transition early on.
- Stay involved in family events.
- Provide timely and constructive criticism.
- Provide real, meaningful advice.
- Ensure the next generation is ready before handing over the reins.

Regardless of nationality, wisdom gleaned from these sessions can carry meaning for families around the world. Despite our different cultures and geographic locations, we share many common issues and can all learn from the experience of others. We thank our Indian hosts for providing us with substantive advice on family succession.



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