



## Family Business Briefs

Issue 65 / April 2021

*Welcome!*

*I am pleased to share with you the next issue of our bimonthly publication, 'Family Business Briefs.' This issue contains some intriguing facts and information about family businesses that you may find interesting and useful. The Briefs has the following sections:*

- *Summaries of research articles with practical implications on **Board Governance, Values and Family Business Ethics**, and **Organizational Ambidexterity in Family Firms***
- *Summary of a family business case on **Borosil***
- *Inspirations from the life of **K. K. Birla***
- *Infographic on **STEP Project–KPMG Family Business Survey Report 2021***
- *Interesting insights on the **Triumph of Family Businesses over Covid-19***

*We hope that you will find these incisive and refreshing.*

*As always, I encourage you to send your feedback and share suggestions about something interesting and relevant, which you may want us to include in future.*

*Best regards,*

*Ram*

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Professor & Executive Director,  
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# ARTICLE SUMMARY

## A Capability-Based View of Boards: A New Conceptual Framework for Board Governance

- Patricia Klarner, Toru Yoshikawa, and Michael A. Hitt

Board governance has long been an area of keen interest for management scholars. However, the capabilities required to govern the board effectively, remain under-examined. Addressing that knowledge gap, this paper examines different types of board capabilities. The authors develop a capability-based view of the board based on the analyses of illustrative case studies and interviews conducted with board directors across US, Asia and Europe. This summary succinctly presents the study, its findings and implications for family businesses.

### Importance of Board Governance Capabilities

Board governance capabilities are directors' abilities to influence "*building, integration and reconfiguration of organizational resources and competences*" essential to develop and implement corporate strategies. These board capabilities are crucial for firms to strategically adapt to changes in the environment, to withstand competitors and to cater market demands. For effective governance, board directors require different "*knowledge, skills, abilities, and other characteristics*" to effectively discharge their governance duties.

### Knowledge, Skills, Abilities and Other Characteristics (KSAOs)

Three kinds of KSAOs are required for effective board governance: **1. Task-Specific KSAOs:** These are an individual director's expertise and knowledge essential to monitor and advise on specific strategic issues. **2. Team-Generic KSAOs:** These are inter-personal abilities essential for teamwork, such as, adaptability to different task situations, shared awareness of the situation, monitoring performance and coordination in teams.

**3. Firm-Specific KSAOs:** These are abilities, skills and knowledge specific to the distinct internal and external contexts of a particular firm.

### Types of Board Governance Capabilities

The authors identify four types of board governance capabilities. **1. Board Organizing Capabilities** enable directors to utilize task specific and firm specific KSAOs to effectively monitor the firm, **2. Board Relationship-building Capabilities** help in maintaining good working relationships with directors, executives, employees and external stakeholders, **3. Board Integration Capabilities** facilitate allocation of resources and help in understanding the links between strategic initiatives. **4. Board Reconfiguration Capabilities** aid governance of changes in strategy and resource allocation.

These capabilities enable effective monitoring by the board directors, which leads to better strategy formulation and firm performance.

### Practical Implications

The study has key implications for family firms:

- Understanding the importance of effective board governance and building capabilities for it, provides a clear strategic direction to the family business.
- Awareness of different types of abilities, knowledge and skill sets required, helps the leaders to appoint board members with appropriate skills and knowledge.
- Family firms can periodically assess how their boards fare on the four capabilities and diligently select directors who complement the existing board capabilities.

**Source:** *Academy of Management Perspectives*, (2021). Vol.35, No.1, pp. 123-141



# ARTICLE SUMMARY

## Articulating Values Through Identity Work: Advancing Family Business Ethics Research

- Marleen Dieleman and Juliette Koning

Family values are known to determine the ethical behaviour of family firms. However, the evolution and strategic employment of family values, specifically from ethics and identity perspectives, remain inadequately examined. In order to understand how values arise, evolve and are articulated by family business leaders, the authors examine a case study of a Malaysian family firm. They examine 89 speeches and 199 media excerpts over a span of 20 years. This summary briefly discusses the study and its implications.

### Sources of Family Business Values

The authors propose three core themes as sources of values associated with the family business identity. These are:

- 1. Religion:** In this case the owners' Christian identity described the values such as, care, stewardship, and faith at the **personal level**,
- 2. Culture:** The values such as hard work, trust and honesty were sourced from the culture, which in this case is ethnic Chinese family identity. These values were shared at a **family level**, and
- 3. Sustainability:** The value - 'care for the environment and society' is related to the sustainability objectives pursued at the **corporate level** (the identity of being a socially 'responsible' business).

These values vary across time, space and audience. They have a **relational dimension** (i. e., values held for self versus those held for others) and an **aspirational dimension** (i. e., values held at present versus those aspired in the future).

### Identity Work and Family values

The authors adopt identity work theories to

demonstrate how family leaders can articulate family business ethics. There are three methods of Identity work: **1. Double identity work** – in this approach, the core values are complementary and narrated at the same time without intersection. For instance, in this case, core religious values and ethnic Chinese family business values were complimentary and were stated simultaneously without being combined. **2. Harmonized identity work** – In contrast to the double identity work, here the values are articulated together and integrated. Viz, core religious values and sustainability values were stated together and were explicitly integrated. **3. Detached identity work** – these display no evidence of values transpiring together. For instance, the core ethnic Chinese family business values and core sustainability values did not occur together.

### Key Findings

Religion was identified as the most influential source of family business values. Beliefs on a personal level play a major role in shaping the narrative of the family firm to be ethical.

### Practical Implications

- Family business leaders can strategically tap into multiple values and ethics according to needs of the evolving business environment.
- Its is important to understand that values can be used not just to connect with successful past but also for a better future.
- The critical role of the leader is to articulate the family business values in a manner that brings a strategic alignment among the personal, family and corporate identities.

**Source:** *Journal of Business Ethics*, (2020).  
Vol.163, pp. 675-687.



# ARTICLE SUMMARY

## Organizational Ambidexterity in Family Managed Firms : The Role of Family Involvement in Top Management

- Nadine Kammerlander, Holger Patzelt, Judith Behrens and Christian Rohm

The pursuit of innovation and organisational ambidexterity are crucial for improved firm performance. However, the role of family involvement in top management in driving innovation remains inadequately examined. In this paper, the authors study the relationship between opportunity exploration, exploitation and organisational ambidexterity in 109 German family firms. This summary describes the study, its findings and implications.

### Organizational Ambidexterity: Exploratory and Exploitative Innovation

“Organizational Ambidexterity is simultaneous adoption of exploratory and exploitative innovation activities.” These two innovation activities are the key drivers for firm performance. **1. Exploration** is exploring new markets, products and customers. These innovations increase the scope of the firm’s business. **2. Exploitation** is focusing on improving efficiency and quality of the product. Often, these innovations are incremental. For long term sustenance, firms need to engage in both exploration and exploitation innovation activities (i.e., organizational ambidexterity).

### Relationship with Family Involvement

Family firms with top management comprising only family members may lack exploration due to lack of external perspective. Non-family members bring in a broader outlook. Hence, the authors propose that exploration is at the highest when top management consists of family and non-family members.

However, in the case of exploitation, where efficiency is concerned, a consensus can only be quickly arrived at when the family and non-family members are like-minded. They can make prompt and effective decisions. In

contrast, when members have divergent views, then arriving at a consensus is difficult. This results in lower levels of exploitation. The authors further suggest that organisational ambidexterity is at its highest at the intermediate level of family involvement in top management of the firm.

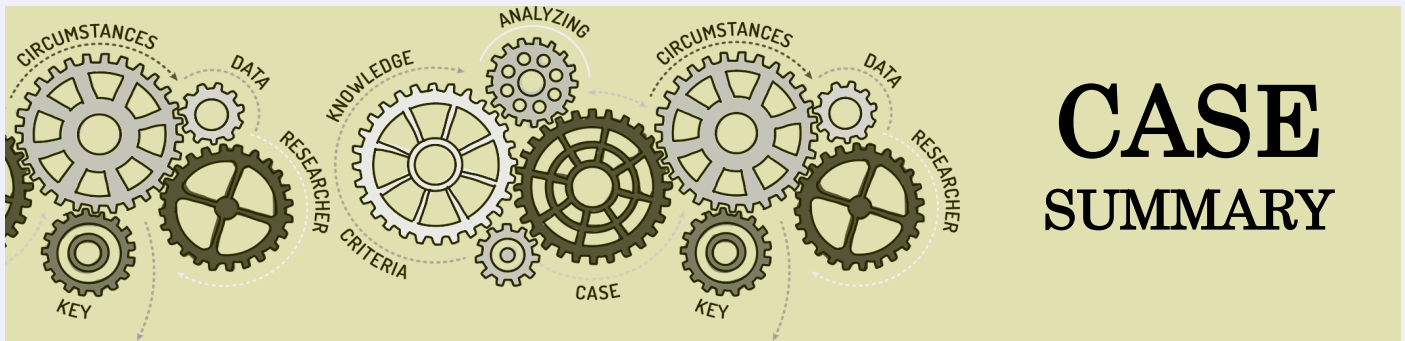
### Family CEO and Non-Economic Goals

Family Centric Non-Economic (FCNE) goals of the family CEO pertaining to family values, attitudes and intentions influence the innovation behavior of the firm. A family CEO with stronger FCNE goals can weaken the relationship between exploration and family involvement in top management. Similarly, strong CEO FCNE goals weaken organisational ambidexterity due to the friction between the family CEO and non-family members. Due to this, the integration and delegation of the tasks gets increasingly difficult. However, strong CEO FCNE goals strengthen the relationship between exploitation and family involvement in top management. The authors evaluated the data empirically and the results were consistent with the hypotheses.

### Practical Implications

- Family businesses need to recognize the significance of and need for organizational ambidexterity.
- Family firms need to dynamically manage the relationships among exploration, exploitation and family involvement in top management.
- The pursuit of the family CEO’s non-economic goals need to be finely calibrated for desired innovation outcomes.

**Source:** *Family Business Review*, (2020). Vol.33, No. 4, pp. 393–423.



## **Borosil: Third-Generation Leadership Transforming the Family Business**

**Borosil**, a recognized name in India for over 50 years, is almost synonymous with heat resistant glass. It was established in 1962 as a public firm, when a glass manufacturer B. L. Kheruka acquired a laboratory glass apparatus making unit. In 1963, Corning Glass Works of USA joined as the firm's technical and financial collaborator. Eventually, Corning became the majority shareholder in Borosil. However, in 1988 Corning sold its stake to the Kheruka family. Presently, the third-generation family member, Shreevar Kheruka continues to steer through challenges and transform Borosil into a growing consumer glassware business.

### **Sustained Focus on Quality**

Borosil always focused on high standards of product quality. In mid-1980s, when Kherukas were setting up a plant in Bharuch (Gujarat) for manufacturing fusion glass, Corning decided to withdraw their partnership due to strategic reasons. This not only posed a major monetary challenge to Borosil but also constrained its access to advanced technology. Yet, the Kheruka family ensured that Borosil built strong in-house technical capabilities and maintained high quality across product categories.

### **Business Transition**

Kherukas realized the need to expand their portfolio because the market size and growth were limited for laboratory apparatus business. Exploring growth avenues, Borosil ventured into architectural glass category in 1990s. Low cost structure allowed it to experiment on various frontiers. With the advent of microwave ovens, in early 2000s Borosil saw another opportunity in the kitchenware segment. It offered heat-resistant glassware as an environment friendly option that was better than the hazardous plastic food containers. Gradually consumers began to adopt glass

kitchenware. By 2013, it became a lifestyle brand with products including serve-ware, kitchenware, storage containers, and bottles. Exploring another growth opportunity with the rise of solar energy sector, Borosil made the world's first antimony-free solar glass in 2014.

### **Next-Gen Leadership**

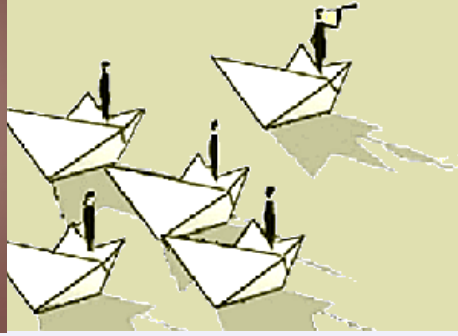
One of the main drivers of transformation at Borosil had been the third-generation leader, Shreevar Kheruka. He is equipped with a dual degree in science and business management from the University of Pennsylvania. Shreevar joined Borosil in 2006 during a crisis when the local government's steep electricity tariff hike had drastically increased its manufacturing cost. Shreevar explored several ways to reduce costs and shifted the plant to an alternative site. This won him acceptance within the firm. The company reported lucrative profits within last five years and became market leader in glass products. However, glass still remained a small percentage of the market, while the real competition was with manufacturers of plastic and steel products. Shreevar knew that constant innovation was the only way to grow!

### **Learnings for Family Businesses**

The key takeaways from this case are:

- Sustained focus on product quality enables market leadership and gets brand premium.
- Regular transformation helps a family firm progress and retain relevance across times.
- Developing capable next-generation leaders and providing them freedom are crucial for facilitating unconventional decisions and taking the family business legacy forward.

**Sources:** <https://www.myborosil.com/about-us/>  
<https://www.forbesindia.com/article/family-business/borosil-toughened-glass/52581/1>



# FAMILY BUSINESS LEADER

## Krishna Kumar (K.K.) Birla (1918 – 2008)

K. K. Birla was born in Pilani, Rajasthan, to Ghanshyam Das Birla and Mahadevi Birla. He had two brothers and three sisters. He was married to Manorama Devi and had three daughters. After his graduation from Lahore University in 1939, he moved into business to support his father, who had founded the legendary Birla family business group.

He went on to expand the group's business imprint in textiles, engineering, sugar, shipping, media, engineering, financial services, infrastructure and fertilisers and established it as one of the prominent business conglomerates of the times.

Some of the major companies under his fold were Zuari Industries Limited, Chambal Fertilisers and Chemicals and Paradeep Phosphates. He was a pioneer from the private sector to move into chemicals and fertilisers which were traditionally till then in the public sector domain. He was also one of the first from the private Indian groups to venture overseas, by setting up a project for phosphoric acid in Morocco.

K.K. Birla was a multi-faceted person and donned many hats as a business leader, politician, educationist, sports promoter, social reformer and media baron. He was the president of the Bridge Federation of India for a number of years and also headed the Indian Lawn Tennis Association. He was on the boards of the State Bank of India and ICICI. He headed the Federation of Indian Chambers of Commerce and Industries (FICCI) and Indian Sugar Mills Association.

His father, Ghanshyam Das was a staunch supporter of Mahatma Gandhi in the Indian freedom movement and was a financier to the Congress party. K.K. Birla too was a Congress Member of Parliament in Rajya Sabha for three terms, served on several committees of the Parliament and was appointed twice as a member of the National Integration Council.

He was closely involved with BITS, Pilani and built

upon the foundations established by his father to make it a leading institution of higher education. He was also the chairman of one of India's biggest national daily newspapers, The Hindustan Times, which became a successful media company under his stewardship.

In 1991, K.K. Birla established a Foundation, bearing his name, to promote literature (especially Hindi literature) and the arts, as well as education and social work. In 1997, he was conferred the degree of Doctor of Letters (Honoris Causa) by the Pondicherry University.

He was a stickler for punctuality and was sometimes known to schedule meetings of exactly 8 minutes or 12 minutes. He was ahead of his times and believed in gender equality. He handed over his Rs11,000 crores empire (in 2008) to his daughters during his lifetime.

Upon his demise in 2008, eminent industrialist Rama Prasad Goenka said, "*Among businessmen, I respected him the most.*"

*"I recall my close association with Dr. Birla during his tenure in the Rajya Sabha. He had asked me to write a foreword to a collection of his speeches. Whether he spoke on the Union Budget or on inflation or on other issues, he marshalled hard information and made a persuasive point. It is members like Dr. Birla who have genuinely lived up to the title of the Rajya Sabha as the "House of Elders".*

--- Prime Minister Manmohan Singh in 2007 on the occasion of the release of K.K. Birla's Autobiography, "Brushes with History".

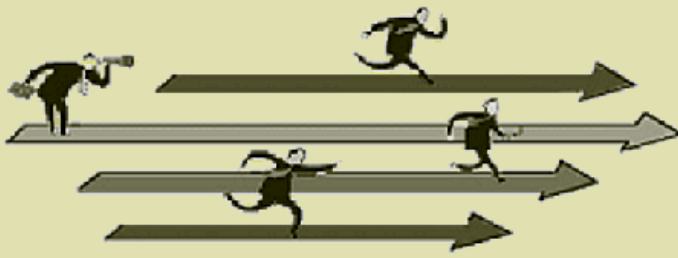
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<https://www.nytimes.com/2008/09/03/business/worldbusiness/03birla.html>

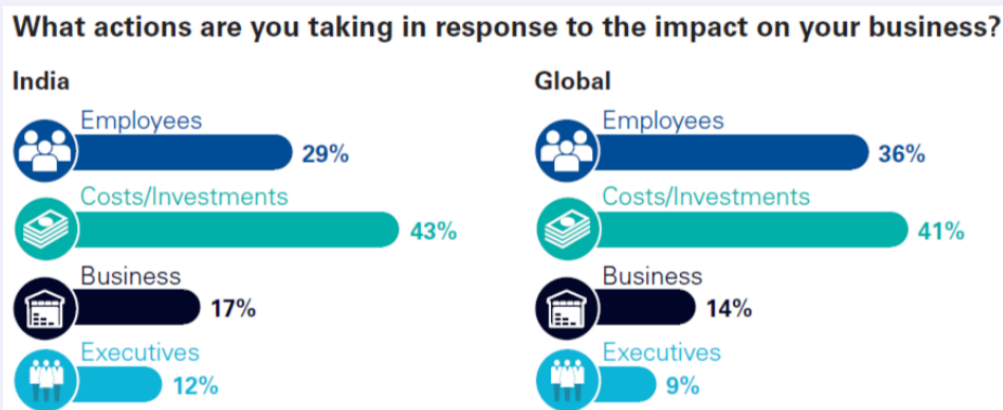
<https://www.bits-pilani.ac.in/>

# BENCHMARKING LEARN FROM THE BEST



The Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium and KPMG Private Enterprise came together in June of 2020 to find out what family business leaders around the world were doing to respond to the impact of COVID-19. A total of 2,493 family business leaders in Europe, the Americas, Asia and the Middle East & Africa completed the survey. The country benchmarking data report highlighted the impact of COVID-19 and the actions that family businesses of varying sizes and in different sectors took in India. The infographics below looks at the actions of the family businesses in India in comparison to those globally.

Lower percent of companies in India (29 percent) took actions to reduce/eliminate labor costs when compared to the global average of 36 percent. Emphasis on cost reduction through cutting operating costs, cut down on investments, restructuring, deferring payments and expenses, and reducing the top management team's compensation was more in India compared to family firms globally.



### The most implemented actions per macro-category



**Source:** STEP-KPMG Report (2021), "Mastering a comeback: How family businesses are triumphing over COVID-19, the Global family business report: COVID-19 edition".



# DO YOU KNOW?

## The Family Business Triumph Over Covid-19: Key Findings

A new report from the STEP Project Global Consortium and KPMG Private Enterprise finds that the unique structure of family businesses empowered them to respond to the impact of COVID-19. The study found that the involvement of the family and their long-term mindset has enabled them to demonstrate resilience in the face of the pandemic, which has placed them in a key role to lead the economic recovery.

The report, titled –*Mastering a comeback: How family businesses are triumphing over COVID-19*, includes insights from nearly 2,500 family businesses and more than 500 non-family businesses, across 75 countries. Thomas Schmidheiny Centre for Family Enterprise, Indian School of Business (ISB), being the only member from India, conducted the survey in India.

The report uncovers three core strategies used by family businesses to address the immediate impact of COVID-19, to respond to the challenges and opportunities it presented, and accelerate the involvement of family members to prepare the plan for the future:

1. **Social responsibility:** They took steps to address the impact of the pandemic not only on their family and business, but on the welfare of society as a whole, and the needs of all their stakeholders including employees, customers, suppliers and local communities.

2. **Business transformation:** Family businesses were found to be 42 percent more likely to implement business transformation strategies when compared to non-family businesses during the pandemic. Family businesses with multiple generations in the firm were 45 percent more likely to implement a business transformation strategy when compared to single-generation family firms.

3. **Exercising patience:** Family businesses are focused on protecting their succession plans and long-term future for the next generation. This long-term mindset has enabled them to leverage their patient capital

to understand the full impact of COVID-19 on their business and others in their industry. They have a view for adopting plans for the long term, rather than just mitigating the short-term impact of the pandemic.

Further, the report identifies two key factors that influenced families' strategy decisions: whether the business is led by a family or non-family CEO, and whether the ownership is distributed amongst a small or large number of family members.

Businesses led by a family-CEO and with high family involvement were more likely to adopt a social responsibility strategy as one of their choices to focus on the welfare of employees and the communities where the family lives and operates. In the cases where a family business is led by a non-family executive or with lower family involvement, there was a higher likelihood that the business leader made difficult decisions to soften the impact on the business such as reducing employee numbers, general cost cutting and potential restructuring.

In addition to leadership and ownership factors, the study reveals the pivotal role that multiple generations of the family have played in their response to COVID-19. Crucially, families were able to draw on support from multiple generations, leveraging the past experiences of older generations to help manage critical challenges and utilizing the insights of younger members to drive modernisation.

The report affirms that now is the time to commit to the future and use the competitive advantages of purpose, community and patience as guideposts for all family businesses to make a long-term comeback and lead the global economic recovery.

**Source:** STEP – KPMG (2021), “*Mastering a comeback: How family businesses are triumphing over COVID-19, the Global family business report: COVID-19 edition*”.





## Indian School of Business

Indian School of Business (ISB) is a global business school offering world-class management education across its two campuses - Hyderabad and Mohali. The School has grown at a rapid pace over the past sixteen years since its inception and already has several notable accomplishments to its credit it is the youngest school ever to consistently rank among the top Global MBAs, one among the select 100 global b-schools to have AACSB, AMBA and EQUIS accreditation, one of the largest providers of Executive Education in Asia, and the most research-productive Indian management institution. A vibrant pool of research-oriented resident faculty, strong academic associations with leading global b-schools and the backing of an influential Board, have helped the ISB fast emerge as a premier global business school in the emerging markets. For details visit [www.isb.edu](http://www.isb.edu)

## Thomas Schmidheiny Centre for Family Enterprise

The Thomas Schmidheiny Centre for Family Enterprise, at the Indian School of Business, has emerged as the foremost authority on family businesses in South Asia. It undertakes training, research and outreach activities covering all major topics on family business. The Centre collaborates with global academic institutions and leading family businesses in India and abroad, for the exchange of insights and knowledge among diverse stakeholders.

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