

Fifth Asian Invitational Conference on Family Business, ISB (February 6 – 8, 2015)

Theme: Continuity of Family Business across Generations

The Fifth Asian Invitational Conference on Family Business was inaugurated on February 7, 2015 at the Indian School of Business (ISB), Hyderabad campus. The overall theme for the conference was '*Continuity of Family Business across Generations.*' The event began with an Academic Conference, where academics invited from across Asia presented family business case studies and research papers. This was followed by a two day Business Conference that had prominent industry leaders, academics and experts who addressed nearly 400 delegates on several important issues faced by family businesses which include, Leadership Challenges in Building Large Businesses, Building Family Bonding as a Unique Strategic Value, Managing Succession and Next Generation Grooming and Building Family and Business as Institutions. The event evoked a vibrant response from family business delegates who were keen to gather valuable insights from the discourse.

ACADEMIC CONFERENCE (6TH FEBRUARY 2015)

Academics from India and abroad presented over 25 cases at the conference. During the Plenary Session, Prof. Kavil Ramachandran, (Executive Director, Thomas Schmidheiny Centre for Family Enterprise, ISB) explained the dynamics for understanding family business and presented a review of research in this area. Prof. Ramachandran discussed the unique challenges faced by family businesses and methods to overcome the said challenges. He encouraged the academics to contribute to the field through deeper probes into these areas.



Prof. Kavil Ramachandran addressing the Academic Conference

Academics presented their research papers in four parallel sessions chaired by Professor NagaLakshmi Damaraju (Indian School of Business), Professor Raveendra Chittoor (Indian School of Business), Professor Amit Nandkeolyar (Indian School of Business) and Professor Sougata Ray (IIM, Calcutta).

The papers covered the following themes –

- Succession
- Professionalization
- Business Strategy
- Leadership
- Governance
- Ownership
- Women in Family Business
- Entrepreneurship



Parallel Sessions for Case Presentations and Discussions

The cases highlighted the complexities of managing family business challenges. While some of them focused on the triumph of family businesses through a journey full of challenges, the others covered diverse issues.

The Academic Conference also included a presentation by Professor Yasuhiro Ueno (Kansai University) on Family Business in Japan which discussed the uniqueness of Japanese firms and how culture impacted the way of doing business. Before concluding the academic conference, the Session Chairs shared with delegates, a few useful tips on how to structure a family business case study and improve its quality to facilitate active learning.

BUSINESS CONFERENCE (7-8TH FEBRUARY 2015)

The Business Conference spread over two days had eminent speakers like Dr Thomas Schmidheiny and Dr Dieter Spaelti (Spectrum Value Management Ltd, Switzerland), Mr Adi Godrej (Godrej group), Mr Sajjan Jindal (JSW Steel), Mr Anil Rai Gupta (Havells India Limited), Mr Gopal Srinivasan (TVS Capital Funds Limited) Mr MG George Muthoot (Muthoot Finance), Mr Nabankur Gupta (Nobby Strategic Management & Family Business Consultants) among many others, sharing their experiences and insights with the audience, on various themes concerning family businesses.



Inauguration of the Thomas Schmidheiny Centre for Family Enterprise

The highlight of the event was the inauguration of the **Thomas Schmidheiny Centre for Family Enterprise** at ISB. Dr. Thomas Schmidheiny, Mr. Adi Godrej (Chairman, ISB), Dean Ajit Rangnekar and Prof. Kavil Ramachandran inaugurated the centre with lighting of lamps. Funded by a generous grant from Dr. Schmidheiny, this centre aims to be a catalyst in perpetuating value for family businesses through promotion of research, teaching, training and institution building initiatives in the area. Prof. Ramachandran will head the centre as its Executive Director.



Dean Ajit Rangnekar

In his welcome address delivered during the inaugural session, Ajit Rangnekar, Dean, ISB emphasised on the important role played by family businesses in most economies across the globe.

Dean Rangnekar said, *“ISB identified knowledge building in family business area as a priority since the very early years of the School. Setting up of Thomas Schmidheiny Centre for Family Enterprise is a milestone in that direction.”* He thanked Dr. Schmidheiny for his support and trust on ISB.

This was followed by a keynote speech on the ‘Joy of Giving’ by Dr. Thomas Schmidheiny, Founder & Chairman, Spectrum Value Management Ltd. Dr. Schmidheiny observed, *“Philanthropy is not only giving money, but having a giving strategy aiming at a sustainable impact and demanding performance and accountability of the recipients. Entrepreneurship, Integrity, Life-long learning and individual responsibility are the four pillars of our family philanthropy values.”*

He informed the delegates that though the core values of philanthropy remain the same, they maintain clear demarcation between corporate philanthropy initiatives and personal philanthropic activities.



Dr Thomas Schmidheiny



Mr Adi Godrej

Speaking on the significance of corporate governance in family businesses, Chairman of ISB Board, Mr. Adi Godrej said, *“I believe that an essential element for the long-term success of family managed businesses is a strong system of corporate governance, which identifies business participants, develop management talent and demarcates roles and responsibilities of these participants. Good corporate governance must include the framework of a strong performance orientation.”*



Professor Kavil Ramachandran

Describing the activities that the centre would undertake, Prof. Ramachandran noted, *“The Thomas Schmidheiny Centre for Family Enterprise at ISB is committed to research with practical dimension and a keen focus on case studies. Some emerging areas of interest include - Philanthropy efforts, Cross cultural relations, Women in Family Business, Appointment and getting the best out of independent directors. The centre aims to provide multiple platforms for knowledge sharing and learning that will benefit family businesses.”*



Release of the book “The 10 Commandments of Family Business

The session also witnessed the release of the book titled **“The 10 Commandments of Family Business”** authored by Professor Kavil Ramachandran and published by Sage Publishers. Rich with cases and insights, the book brings alive a lifetime of perspective on family business and entrepreneurship in the Indian context. *“Ram brings fresh thinking, an important distinctive perspective, and well-seasoned personal philosophical reflections to the study of family business challenges and success,”* observed the book's foreword written by John L. Ward, Clinical Professor of Family Enterprise, Kellogg School of Management, USA.

Unique achiever’s forum discussion on **‘Leadership Challenges in Building Large Businesses’** focused on leadership and change management issues that family businesses face as they evolve overtime.

Sharing her views on ‘Changing Role of Women in Leadership,’ Shanti Poesposoetjpto, Chairman, PT Samudera TBK and Chairman, PT Asuransi Bintang Tbk, Indonesia said, *“Women are transformational leaders with ability to empathize and contribute to productivity. They are valuable for their quality of emotional leadership and the ability to deliver a tough message in a way that is acceptable to people.”*



Ms Shanti L Poesposoetjpto



Mr MG George Muthoot

Speaking on ‘Synergizing Family and Business Values While Growing Rapidly,’ M.G. George Muthoot, Chairman, The Muthoot Group said, *“Ethics, Reliability, Integrity, Dependability, Trustworthiness and Goodwill are our core business and family values that continue to remain unchanged. As they grow, it is important for family businesses to demarcate the business boundaries. ‘Professionalism, Acceptance and Togetherness’ should drive synergy of family and business.”*

GV Prasad, Co-Chairman and CEO, Dr Reddy’s Laboratories Ltd, shared his insights on ‘Board as the Custodian of Enterprise.’ Mr. Prasad remarked, *“Boards have to do the trade-off between control and vision of building institutions. The chemistry within the board, culture and trust are very important to enable frank and open discussions. So is the composition of board committees and preparation of annual plans. Board composition must ensure inclusion of independent minded, competent and diverse professionals.”*



Mr GV Prasad



Mr Srinivas PS

Mr. Srinivas P S, Head, Trade & Competitiveness Global Practice (Asia), The World Bank, spoke on ‘Corporate Governance and Business Growth’ Mr. Srinivas observed, *“Family businesses need good governance of both the families and the firm. An adequate structure for their Board and senior management which involves skilled and independent professionals with appropriate roles helps set the right strategy for the firm and ensure sound performance oversight. It is important to ensure*

that the choice of directors and senior management is made on the basis of competence and not just on family ties.”

In the panel discussion that followed, the speakers further discussed the changing leadership perspectives among members belonging to different generations. The speakers stressed on the role of communication and trust in building effective leadership. The session was moderated by session Chair, Srinivas P S, Head, Trade & Competitiveness Global Practice (Asia), The World Bank.

The next session had a ‘Custodian’s Forum,’ on ‘**Building Family Bonding as a Unique Strategic Value.**’ The discussion in this session deliberated on matters related to building family harmony and cohesion.

The first speaker, Sangita Reddy, Joint Managing Director, Apollo Hospitals Enterprise Limited shared valuable insights on ‘Bonding Family, Bonding Business.’ Commenting on the importance of family bonding and its implication on family business Ms. Reddy said, *“Personality and perspectives shape relationships. Relationships make the family and business. Discontent in relationships leads to mistrust due to gap between motivations and practice.”*



Ms Sangita Reddy



Mr Prasad M Kumar

Talking on ‘Building Cohesiveness in Nuclear Families,’ Prasad M Kumar, Business Chairman – Institution Building & Governance, GMR Group, commented, *“Families having moderate levels of togetherness are able to balance in a more functional manner. Family Togetherness leads to ‘Business Alignment.’ This creates ‘ONE VOICE’ in the board which brings ‘Strategic Alignment & Direction’ and generates growth momentum.”*

Prof S Ramnarayan, Clinical Professor of Business, Organizational Behaviour, Indian School of Business spoke on ‘Leading Change : Challenges and Guidelines.’ He observed, *“Countering resistance to change requires creation of a shared mental model and opportunities for dialogue, learning and discovery. Leaders need twin focus on change goals and people concerns. LISTENING is critical.”*



Professor S Ramnarayan

The panel discussion that followed the speeches addressed the queries from the audience with regard to family bonding and the challenges it faces in the changing times. The Chair for this session was Mr. Prasad M Kumar, Business Chairman – Institution Building & Governance, GMR Group.



Mr Prasad M Kumar in a conversation with Ms Sangita Reddy and Professor Ramnarayan

The next session comprising ‘*Succession Forum*,’ had discussions on ‘**Managing Succession and Next Generation Grooming**’. The speakers addressed the issues of succession and challenges in preparing the next generation members for leadership role in business. Sharing his insights from successor’s perspective on challenges of ‘Meeting Expectations,’



Mr Anil Rai Gupta

Mr. Anil Rai Gupta, Chairman and Managing Director, Havells India Ltd observed, “*Succession needs to be earned. The successor must treat professionals at par, encourage humility and earn respect of each stakeholder-employees, dealers, shareholders, board of directors. It’s a supreme responsibility that must be given the attention it deserves.*”

Mr. Feroz Rahim, Managing Director, Rahima Frooz, Bangladesh discussed the ‘Challenges of Grooming,’ and said, “*Instilling pride in family legacy, commitment to core family values, respect for diversity, quest for finding own passions, preparing for the challenges of real life, objective and unbiased assessment and getting rid of entitlement mentality are critical issues in grooming the next generation.*”



Mr Feroz Rahim



Mr Jamil Ali Sultan

Addressing the issue of next generation grooming and ‘What does Next Generation Want,’ Jamil Ali Sultan, Director, W.J. Towell & Co. (LLC), Oman, shared, *“The strategy of our company is to build up a shadow management from the young generations that carries its tasks smoothly in harmony with the current management and without disturbing its operations or the decision making process. An advantage of this is a semi Board of directors where the young generation acquire the right skills necessary for running the company in future.”*

Mr. Anil Sainani, Director, S & S Empowering Solutions Pvt Ltd & Chief Advisor, Grant Thornton India LLP shared his insights on issue of ‘Managing Transition Emotions.’ Mr. Sainani said, *“The ‘Outgoing Leader’ has many questions in the mind - like, what will happen to the business and my legacy when I retire? What will I do post retirement? Will the family stick together? Do the children have the maturity? The final test of Greatness in a CEO is how well he chooses his successor and whether he can set aside and let his successor run the company.”*



Mr Anil Sainani



Succession Forum Panel (L-R)- Dr Dennis T Jaffe, Mr Anil Rai Gupta, Mr Feroz Rahim, Mr Jamil Ali Sultan and Mr Anil Sainani

The panel held further discussion on these issues in which the speaker shared their perspectives and answered the questions asked by the audience. The session was Chaired by Mr. Anil Sainani, Director, S & S Empowering Solutions Pvt Ltd & Chief Advisor, Grant Thornton India LLP.

The first day of the conference closed with the 'Evening Keynote Speech' delivered by Dennis T Jaffe, Professor Emeritus, Saybrook University, USA, on '**Managing Succession - Lessons from Asia.**' Prof. Jaffe said, "*Discussion on succession is frequently avoided, it evolves over many years and becomes even more complex in Asian cultures due to ambiguity*



Professor Dennis T Jaffe

in communication, directness in expression and hierarchical governance."

He noted, "*Many recent visible sibling conflicts in Asia were about fairness and respect; not money. These occur when there is no history of or model of collaboration, sharing, compromise. Parent(s) fosters such environment by inaction or lack of clarity.*" Prof. Jaffe advised family businesses to "*Anticipate and prepare for transition in stages over time, engage major participants and ensure fairness in the succession process.*"

The second day of the conference commenced with the '*Keynote speech*' on the topic '**Think Big, Act Big,**' delivered by Mr. Sajjan Jindal, Chairman & Managing Director, JSW Group.

Talking about strategic and execution issues in implementing large scale business projects, Mr. Jindal said, "*Investing in cutting-edge technology, however costly, pays in the long-term. Transparency and taking everybody on board is important. Delegating assignments and encouraging people to try and make mistakes (but not delay decisions) is also needed.*" He noted that, "*Internal grooming of talent and extracting opportunity from every challenge contribute to growth.*"



Mr Sajjan Jindal



Mr Sajjan Jindal in conversation with Professor Sougata Ray

In the discussion following his speech, replying to a question from the audience on the need for big projects in India, Mr. Jindal observed, *“India has a lot of potential, many basic things like infrastructure to be built and therefore saturation of growth is a long way ahead.”* The chair for this session was Professor Sougata Ray, Indian Institute of Management, Calcutta.

The next session had an *‘Eminent Speakers Forum,’* on **‘Owners Expectations and Growth of Family Business’**. This session focused on managing family business ownership and wealth.



Mr Rajeev Nannapaneni

The first speaker Mr. Rajeev Nannapaneni, Vice Chairman & Chief Executive Officer, NATCO Pharma Ltd., spoke on *‘Building Entrepreneurially.’* Advising the family business owners to always keep alive their entrepreneurial spirit he said, *“Ensuring synergy in strategy is critical. The best way of avoiding conflict is to prevent misunderstandings from the beginning. This can be done by drawing up a Family Constitution. Emotional issues must be kept separate from business discussion. This can be done by having a clear line of demarcation for responsibilities. Family businesses need to have cohesive thinking amongst all family stakeholders and full clarity on financial terms even with silent partners.”*



Mr Gopal Srinivasan

Mr. Gopal Srinivasan, Chairman and Managing Director, TVS Capital Funds Ltd. addressed the delegates on *‘Managing Owner Expectations.’* Mr. Srinivasan said, *“We have distinguished family members into categories - High Achievers, Growth Oriented, those comfortable with Status Quo and the ones who are not in family business. Though each of them has different expectations, all are focused on Profitable growth first! Going forward, staying together is an expectation. Maintaining legitimacy from leadership, fulfilling increasingly diverse aspirations and building on family’s strong brand of trust & excellence are the key expectations that need to be fulfilled.”*

Dr. Dieter Spaelti, Managing Partner & CEO, Spectrum Value Management Ltd, Zurich shared valuable insights on ‘Wealth Preservation - Challenges and Strategies.’ Dr. Spaelti said, *“Shape your company and business portfolio with a comfortable diversification across clients, assets, geographies, products and commodities. Develop agile and opportunity prone operating models. In less predictable markets, anchor your businesses very strongly locally. And ensure that you hire, retain and develop the best talents at all levels.”*



Dr. Dieter Spaelti



Professor Kavil Ramachandran

Prof. Kavil Ramachandran, Executive Director, Thomas Schmidheiny Centre for Family Enterprise, ISB who was also the session chair, addressed the delegates on ‘Ownership and Reward Options.’ Prof. Ramachandran observed, *“Ownership togetherness and rewards clarity is critical for building lasting family businesses. Fortressing ownership within is needed; Ambiguity is dangerous, documentation is more trustworthy. It is advisable to prepare legally valid shareholders agreement that define precisely who owns what and lays out the rules of transfer, inheritance, sale/exit.”*

This was followed by a session on **‘Building Teams and ‘Letting Go’ of Control’** which had a *‘Professionals Forum,’* composed of four eminent family business professionals and experts who discussed how family businesses need to evolve and embrace non-family professionals.



Mr Nabankur Gupta

Nabankur Gupta, Founder and CEO, Nobby Strategic Management & Family Business Consultants, said, *“The incumbent faces many challenges in letting-go. These include - emotional issues like, loss of stature, power, respect; career issues – occupation, idleness; perceived threat – what If, insecurity and expected validation from children, relatives and inner circle. All these make the process quite challenging.”*

Addressing the ‘Transition to a Non-Operating Owner,’ Husein Esufally, Chairman, Hemas Holdings PLC, Sri Lanka, emphasized the importance of adopting a hands-off approach by the family business owner. He observed, *“Succession is inevitable and planning is crucial. Addressing personal apprehensions is the key. Engagement is required with multiple stakeholders. Transition must be carefully planned, supported by good communication.”*



Mr Hussein Esufally



Mr Govindrajan Narayanan

Talking about ‘Gaining Freedom to Build,’ Mr. Govindarajan Narayanan, Managing Director, Aurobindo Pharma Limited, stressed on how non-family professionals can gain the confidence of the promoters and freedom for decision-making. He noted, *“Non-family professional must aim for freedom for institutional building not for self. This has to be gained by mutual trust, taking charge, delivering performance and adhering to value systems.”*

In his speech on ‘Investors or Intruders,’ Mr. Prem Pavor, Managing Director, Fidelity Growth Partners, India, explained about what investors look for, while investing in a family business. Mr. Pavor said, *“Business fundamentals and investment merit are evaluated with rigour. We see whether all family members involved are aligned and willing to adapt/evolve. We evaluate the family's receptiveness to external input and willingness to bring in senior external talent.”*



Mr Prem Pavor

This session was chaired by Mr. Nabankur Gupta, Founder, CEO of Nobby Strategic Management & Family Business Consultants, Chairman & Co-Founder, Blue Ocean Capital & Advisory Services Pvt Ltd.



Eminent Speakers Panel (L-R)- Mr Prem Pavoor, Mr Hussein Esufally, Mr Govindrajan Narayanan, Mr Nabankur Gupta

In the last session, Prof. Kavil Ramachandran initially presented the findings of the survey conducted in the conference on family togetherness. He stressed upon the inter-generational differences in business families on many crucial issues like lack of a shared vision, differences in strategic direction of business and policy gaps in critical areas of wealth sharing and retirement.



Professor Kavil Ramachandran



Professor Sougata Ray

Following this, Prof. Ramachandran and Professor Sougata Ray, Indian Institute of Management, Calcutta, delivered their keynote speech on building family and business as institutions. They stressed upon the need to strengthen family togetherness and setting up governance mechanisms. They advised family businesses to “Build family businesses as institutions while keeping them rooted in human values.” They noted that in order to transform family businesses into lasting institutions, “Business Leadership must adopt long term perspective while maintaining strategic freshness.” The session was chaired by Dr. Dieter Spaelti, Managing Partner & CEO, Spectrum Value Management Limited, Zurich.

The conference concluded with a vote of thanks by Professor Kavil Ramachandran. The delegates gave a very positive feedback on the conference and found the event to be very engaging and insightful.