

## Passing on the Baton, Successfully

Dhirubhai Ambani was an acclaimed industry doyen but when it came to succession planning his record paled. Without a clear documented succession plan, Mukesh and Anil Ambani had a bitter struggle for control over the Reliance empire and the turmoil could only end when the Supreme Court intervened. The Reliance saga highlighted the perils of not having a succession plan in place. This was an alarm bell to family businesses across India. Ignoring to prepare a succession plan can lead to family conflicts, litigation and destruction of value. *"Nobody is eternal; to ensure continuity of business, succession planning is inevitable. Also, capability requirements of any business are dynamic. So, it is important that the right person with the right capabilities is in place. Planning avoids crisis in future,"* says Kavil Ramachandran, Executive Director, Thomas Schmidheiny Centre for Family Enterprise at the Indian School of Business.

The family needs to define its goals and strategies that business would adopt in future. Then they must assess whether an internal candidate has the capabilities to achieve those goals and whether there is a requirement for building his/her capabilities or grooming. If internal talent is insufficient, external candidates may be needed. *"Remember, it is a relay race and you have to ensure that the next runner has everything to run the next lap successfully,"* says Ramachandran. Retaining a team of professional advisors may help even if the successor is an internal person. Laying a road map for decision making processes and dispute resolution is integral to a good succession plan. The plan must be documented and communicated to the family and other stakeholders. Once the designated roles and responsibilities of different individuals are clearly defined, the re-shuffle of designations or ownership control must follow. Starting early, involving family members in discussions, being objective and realistic in assessing family members' capabilities, providing adequate training and support to the successor and guidance of an unbiased external mentor throughout the process are essential for the success of the plan. It becomes a challenge as both family and business issues often get confounded. *"Family members, particularly the head, find it difficult to distinguish the hat they are wearing — the family hat or the business hat. Both are not the same!"* says Ramachandran. Realization of this distinction between what is good for the family and business helps the family business leader in staying on course to ensure a smooth leadership transition.

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