

PERFECTING FAMILY GOVERNANCE: DIFFERENT ROUTES, SINGLE OBJECTIVE

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Family governance is central to fulfilling dual objectives of (a) preserving family tradition and continuity, and (b) nurturing family wealth, which is closely aligned to firm vitality. Weathering family and business crises requires effective internal family governance.

Consider, Ringtons Tea Merchants and Wates Group - two family businesses that have won the prestigious awards from the annual JP Morgan Family Business Honours programme for UK family firms. Both have adapted *different family governance processes* and structures to align the family interests with the wider stakeholder and business interests.

Consider Ringtons. Founded in 1907 by Samuel Smith, Ringtons Tea Merchants remains a family business. Today, a fourth generation of the family, three of Sam's great-grandsons, run the business on a daily basis as it continues to flourish. Over 100 years old, the famous Ringtons vans still continue their door-to-door deliveries all over England, and the firm today is supplier to Marks and Spencer and Waitrose. It opened our new factory in 1992, but the head office remains next door to the original factory in Newcastle.

Wates Group active in construction business likewise is more than 100 years old. Founded in 1897 by Edward Wates and his three brothers, today it is a 4th generation family business. In 2009, it reported sales of £945 million and had more than 2000 employees. Emphasising the integration of family and business, Wates points out that it aims to "combine the longevity and commitment of a family business, with the best aspects of a plc – high standards of governance, a forward-thinking, customer-focused approach to markets and innovation."

Both have adapted different governance systems. *Rington's* approach is not formalized to the extent in Wates. It emphasizes inclusion and involvement, as well as respect for the feelings of others. After one of the family members attended a managing for family business programme at IMD, Switzerland, it produced a family guide. It covers a wide range of issues, such as:

Company history, values, succession rules, shareholder agreement, statement of principles, articles of association, prenuptial agreements and policies regarding philanthropy, Education of young family members. Written policies also exist on share valuation and exit.

Wates Group on the contrary has put in elaborate governance system. It has a family council, a shareholder management committee and a charter that governs the family relationship with its trading activities. Succession planning involves a formalized approach, involving psychometrics, team building and coaching supported by external advisors. The family has created a family office, which has multiple mandates ranging from investment of family funds to education of family members.

What is the learning for Indian family businesses?

The big question for Indian family businesses is should they imitate Western family system or adapt a formalized or hybrid approach?

Though Indian family system is arguably much more embedded in culture and family values, it is also prone to political struggles, disintegration of family and needs to nurture cohesion to promote family vitality. We don't hear much about disintegration and political conflicts in the Indian families? That does not mean that Indian family firms are better at governing the family and business interests.

While some recognize it, many do not either because they do not see trouble brewing with major implications or because they do not consider it culturally appropriate to express their views. In fact the younger generation is much more vocal about expressing this directly or indirectly.

Whether it is formalized or hybrid, Indian family businesses need to be aware that to retain longevity of the family, the senior members must act as custodians of the family interests. For that they need to achieve a balance between family business goals, individual career and life ambitions. Failure to achieve such a balance is likely to cause discord and discontent.

References:

Ringtons Tea Merchants: www.ringtons.co.uk

Wates Group: www.wates.co.uk

JP Morgan Institute of Family Business Owners: <http://www.jpmpb-fbh.com/>

Case Studies of Ringtons Tea Merchants and Wates Group are available on the above website.

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