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Family Enterprise *Quarterly*

Editor's Desk

Professor Sougata Ray,
Executive Director
Thomas Schmidheiny Centre for
Family Enterprise, ISB

It is with great enthusiasm that we introduce the July edition of the Family Enterprise Quarterly Magazine, which seeks to offer owners, entrepreneurs, executives, and scholars a varied selection of stimulating material pertaining to family enterprises. Our publication offers a comprehensive exploration of family business management through a variety of mediums, such as interviews, book reviews, biographies, and case studies.

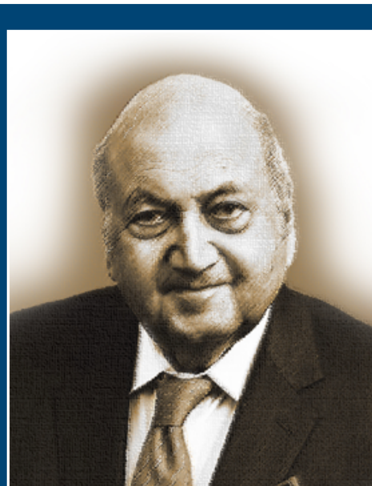
In this issue, the *Legacy Builders from the Past* section commemorates Keshub Mahindra, the man who turned the Mahindra brand from being just a Willys Jeeps agency into a behemoth with diverse businesses across over twenty sectors. In the *C-suite Wisdom* section, we spoke to Dr. Frank Stangenberg-Haverkamp who is currently the head of the Merck family, the family that founded the esteemed pharmaceutical and chemical enterprise with a history of 355 years. The *Women in Family Business* section features an inspiring account by Samina Hamied, the Executive Vice-chairperson of Cipla Limited, detailing her transition from investment banking to pharmaceuticals. The *Vintage Icon* section explores the iconic Taj Mahal hotels situated in the twin cities of Hyderabad and Secunderabad, which remain committed to being a destination where families can enjoy delectable meals and reminisce about the past.

For this issue, we have summarised the case of the company Marico. The case brings to light the challenges that the Mariwala family encountered while managing and resolving inter-generational tension among the family members involved in the business. In the *From the Bookshelf* section, we present to you "The Cartiers: The Untold Story of the Family Behind the Jewelry Empire" written by Francesca Cartier Brickell. The book offers an exclusive perspective on the journey of one of the world's most legendary jewellery dynasties. Rishabh Shroff, a well-known lawyer at Cyril Amarchand Mangaldas, is featured in the *Next Gen* section and shares valuable insights on working with his parents.

In the *Thoughts from the Alumni* segment, we interview Shreya Reddy, Executive Director at CMR Group of Institutions, who shares her experience of applying her Master's in Family Business Administration knowledge to her family's educational enterprise. This issue also provides summaries of three research articles on resilience of family firms. We also look at the results from a study conducted by the Credit Suisse Research Institute to explore the specific dynamics and features of family-owned firms versus non-family equivalents in the *Do You Know* section.

We hope our high-quality, thought-provoking content enriches your understanding, challenges your perspectives, and provides you with practical tools to excel in your professional endeavours. •

Contents



From Private to Public: Decoding the IPO Blueprint for Family Businesses and Start-ups

Preparing for an initial public offering (IPO) involves several important considerations for family-owned businesses and founder-led startups. Firstly, establishing a strong board of directors with diverse expertise and independent members enhances transparency and accountability, attracting regulators and investors. A comprehensive succession plan for key roles ensures market trust and minimises disruptions during the IPO process. Clear frameworks of operating rules, including delegation of authority, policies, and compliance, help manage the transition to a publicly listed organisation. A strategic and sustainable growth plan is crucial, demonstrating a well-defined strategy for future growth and rewarding shareholders. By carefully addressing these aspects, businesses can unlock the benefits of going public, and set the stage for long-term success.

(Source: The Times of India, June 9, 2023)

Viewpoint by TSCFE@ISB

While the decision to go public is certainly a big strategic move, private family firms and entrepreneurs can prepare for going public by professionalising management, enhancing financial reporting and compliance, developing a clear succession plan, and engaging professional advisors with IPO expertise.

Family-run businesses survive if they adapt to changes, allow professionals from outside: Deepak Parekh

Deepak Parekh, an eminent Indian businessman, stressed the importance of adaptation and openness in ensuring the survival of family-run businesses. He emphasised that such businesses must evolve with changing times, and establish governance structures and professional management to ensure smooth transition across generations. He urged family-owned enterprises to embrace diversity, value professional expertise, and maintain a balance between tradition and adaptation, ultimately enabling their long-term sustainability.

(Source: The Economic Times, April 9, 2023)

Viewpoint by TSCFE@ISB

Family businesses can become more receptive to the ever-changing business environment by embracing innovation and agility. They should encourage open communication, foster a culture of continuous learning, stay updated on industry trends, seek external expertise when needed, and adapt their strategies and operations to meet evolving market demands.

Family office: A novel investment strategy, or more?

A family office is crucial for wealthy families, as it provides comprehensive financial management, asset protection, and multi-generational wealth planning. It ensures the preservation and growth of family wealth, facilitates strategic decision-making, and offers personalised services tailored to the unique needs and goals of the family members.

(Source: Times of India, March 1, 2023)

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Practicing resilience in family firms: An investigation through phenomenography

● Study by: Elisa Conz, Peter William Lamb, Alfredo De Massis

Various attempts have been made in the family business literature to explain the continuity of family enterprises in times of transition, using elements and frameworks such as long-term and entrepreneurial orientation, socioemotional wealth, and intra-firm succession. Despite its widely recognised importance as a critical element of an organisation's continuity, few studies specifically address the resilience of family-owned firms. This paper contends that extant theories have failed to recognise how individuals act in organisational contexts and how resilience as a strategy shows in practice through the daily actions of owners/managers. The scholars investigate resilience by focusing on how individual owners/managers of long-standing family businesses build and experience it, i.e., what resilience means to them and how that meaning informs their daily attempts to preserve their business. They declare that resilience is situational and context-dependent, and that owners/managers, as well as their resilience experiences and practices, are a single entity. The two contexts of investigation, Italy and Australia, have been chosen based on the professional knowledge and personal networks of each of the authors. There are four qualitatively distinct ways of resilience as per this study.

Resilience as proactive development

Owners and managers see resilience as proactive business development practised through anticipatory activities—before unexpected changes occur—to adjust to changes and ensure stability. Resilience is defined as the ability to construct a business such that it is prepared to mitigate the consequences of something unexpected using its strengths and to adapt whenever changes occur. Managing a resilient business implies owners/managers 'acting in advance' so that when something comes up, they are prepared to deal with it.

Resilience as predictive control

Owners define resilience as the ability to forecast change and exert control over any type of internal or external change. In this category, owners preserve the stability of their organisation by literally avoiding any kind of change or trying to decrease to the minimum the likelihood of being harmed, depending on their experience to forecast any sort of 'unexpected surprise'.

Resilience as adaptive consolidation

Owners/managers define resilience as the ability to adapt to change in order to preserve and consolidate an already strong market position. They practise resilience by asking themselves: "How can I consolidate the business?" While the understanding-based theory of the authors confirms that owners/managers take an absorptive or adaptive approach to resilience, the study goes beyond the engineering and ecological firm-based approaches to resilience by demonstrating that the choice of absorptive or adaptive resilience is determined by the owners/managers' different understandings of resilience and the timeframe in which they practise resilience.

Resilience as a means of stable perpetuation

Resilience is defined as the ability to absorb change as it occurs, with the goals of preserving the family business as it is and of assuring its stable continuance despite all the unforeseen changes.

Practical Implications

- The unique experiences and values of family owners influence the resilience of their businesses, highlighting the importance of their role in fostering resilience.
- Viewing setbacks as learning opportunities and continuously improving based on lessons learned contributes to the long-term resilience and success of family businesses.
- Resilience in family businesses is not universal but multifaceted. The way resilience is practised in a family business is determined by the perspective of the owner. ●

Source:
Journal of Family Business Strategy
11 (2020), DOI: 10.1016/j.jfbs.2020.100355

How does family capital influence the resilience of family firms?

● Study By: Imen Mzid & Nada Khachlouf & Richard Soparnot

Political upheaval poses problems and disruptions for small and medium-sized enterprises (SMEs) across all industries; resilience is required to address these. The authors investigate the elements that contributed to the success of several family businesses during the 2011 Tunisian revolution, which caused economic instability and business discontinuities in Tunisia. They examined the roles of human, social, and financial capital in four family enterprises. The findings demonstrate how family businesses can use their capital to overcome environmental discontinuities. This study contributes to the debate on resilience by proposing a complex and new definition of resilience as practised by owners/managers as they battle with both internal and external difficulties in their pursuit of stability. Results of the study show how family firms leverage their capital to overcome environmental discontinuities.

Family Capital

Family capital refers to family resources that can be made available to the firm. The article specifies three categories of family capital to assess their respective impact on the family firm's resilience.

Human resources

Human capital refers to the talents, competencies, attitudes, and beliefs of the family members. Strong dedication and friendly and close relationships are positive characteristics of the human capital of family enterprises. It is a distinguishing property of family enterprises that they allow family personnel to have more depth of firm-specific knowledge than non-family firm employees.

According to the authors, organisations can enhance organisational resilience by strategically managing human resources. In this way, organisations can absorb uncertainty effectively and develop situation-specific solutions to risks. They eventually engage in transformative operations that allow them to capitalise on disruptive surprises that may have jeopardised their survival.

Social capital

The authors argue that international social capital is especially beneficial to SMEs in nations confronting problems, such as the problem of democratic transition. Firms operating in such environments face challenges due to a lack of transparency and downturns in their native markets. Such businesses frequently turn to international markets to reduce their reliance on volatile home markets. The study contends that, when enterprises have adequate knowledge of foreign markets, the problems associated with internationalisation are alleviated. It also states that such information is directly tied to the availability of international social networks.

Financial capital

Family businesses are noted for their patient financial capital, which is essential given the risks and delays associated with producing revenue through innovation. For starters, family financial capital has a long-term perspective and is not held accountable for short-term performance. Furthermore, the desire to pass on the company to future generations promotes excellent financial capital management. As a result, family shareholders can be highly patient with the firm, implying that the firm is not subject to immediate and maximum profitability. As a result, financial capital has a substantial impact on the family firm's resilience.

Practical implications

- By cultivating characteristics such as strong family values, effective communication, and shared decision-making, family businesses can navigate through political changes.
- Building resilience at the individual level, known as family capital, is essential for fostering organisational resilience within a family business.
- Family businesses can reduce their dependence on a single market or resource by diversification. This strategy involves exploring new markets, seeking alternative sources of revenue, and adapting business models to navigate uncertain political environments. ●

Source:
Journal of International Entrepreneurship 17 (2019), DOI: 10.1007/s10843-018-0226-7

Business Families in Times of Crises: The Backbone of family firm resilience and continuity

Study by: Andrea Calabrò, Hermann Frank b, Alessandro Minichilli, Julia Suess-Reyes

Every type of business faces a crisis at some point. Navigating and weathering the storms caused by crises are skills that only some specific organisations possess. Business families appear to be genetically programmed to navigate and survive the most difficult of crises. Business families have been able to respond enthusiastically to the various problems arising from crises by using their distinctive traits. This study is an early attempt to advance an understanding of business families and their strategic significance in crisis management. The paper considers the role of the business family as a critical resource in family firm crisis management and analyses how some business families turn problems into opportunities and emerge stronger from a crisis.

Crisis Management

Business families are better equipped to mobilise their own bundle of resources to keep their businesses running during times of crises, providing them resilience. First and foremost, family businesses have survivability capital — personal resources contributed by family members to the business that serve as a safety net during economic downturns and crises. Business families typically control the essential steering authority in the firm's governance structure, allowing them to provide strategic flexibility, less formalised decision-making processes, and quick reaction when the situation calls for it.

Relationships and networks within the family business with internal and external stakeholders are generally robust and long-lasting. Trusting relationships with employees and a solid family-internal social capital can boost the benefits of family ownership during crises and assist in resuming entrepreneurial efforts that produce positive results. The trust-based connections that the business family has with its employees frequently extend to other stakeholder groups and serve as the foundation for reliable networks. In conjunction with other family firm characteristics, such as the use of local expertise, flexible decision-making processes, and quick responses to environmental changes, these can lead to strategic advantages in times of a crisis.

Functioning of the business family

To be morally committed to behavioural standards, business families tend to define explicit norms, for example, in written family constitutions or through explicit verbal agreements. As a result, business families adopt organisational qualities, such as the inclusion of suitable procedures in family constitutions, that can prevent or make conflicts simpler to manage. However, even when business families form family constitutions, unforeseen consequences are unavoidable.

Besides these more formal family management vehicles, informal rules and mechanisms develop from the business family's implicit behavioural expectations. Informal norms frequently emerge spontaneously and assist the business family through various stages of company and family development.

Practical implications

- Business families exhibit intrinsic variety because of the diverse perspectives, skills, and experiences of family members. Embracing this variety can be a source of innovation and resilience.
- Family Businesses seek opportunities for collaboration, establish strategic partnerships and engage with networks to leverage collective resources, knowledge, and support to overcome challenges and enhance resilience.
- Developing a clear and enduring vision helps family businesses navigate challenges and make informed decisions that promote resilience.

Source:

Journal of Family Business Strategy
12 (2021), DOI: 10.1016/j.jfbs.2021.100442

Do You Know: Knowledge Decoded

The Family 1000: Family Values and Value Creation

In today's ever-changing global economy, family-owned businesses have emerged as pillars of stability, navigating challenges with an entrepreneurial spirit, long-term vision, and steadfast dedication. These enterprises, which have a historical past and a profound impact on economies around the world, are based on solid family values that put a premium on generating value and nurturing resilient ties. Recognising the importance of these businesses, the Credit Suisse Research Institute embarked on a comprehensive study to explore the specific dynamics, performance, and value-creation potential of family-owned firms versus non-family equivalents. Their work revolved around the well-known "Family 1000" dataset, which includes significant family-owned companies spanning the Americas, Europe, and Asia-Pacific regions. The culmination of their findings is captured in the 2023 report titled ***The Family 1000: Family Values and Value Creation***, offering invaluable insights into the intricate workings of family-owned enterprises within the broader context of the global business landscape. A few key findings from the report are:

1) Family Businesses showcase strong ESG performance in environmental and social factors

(Exhibit 1)

Family-owned businesses have demonstrated their ability to outperform non-family firms in terms of overall average ESG (Environmental, Social, and Governance) ratings. However, a closer examination revealed an interesting pattern across different dimensions of ESG. While family firms excelled in environmental and social scores, they lagged in governance compared to their non-family counterparts. By recognising the need to improve governance practices and embracing higher standards of professionalism, family firms can unlock their true potential.

2) First- and Second-Generation family businesses perform well

(Exhibit 2)

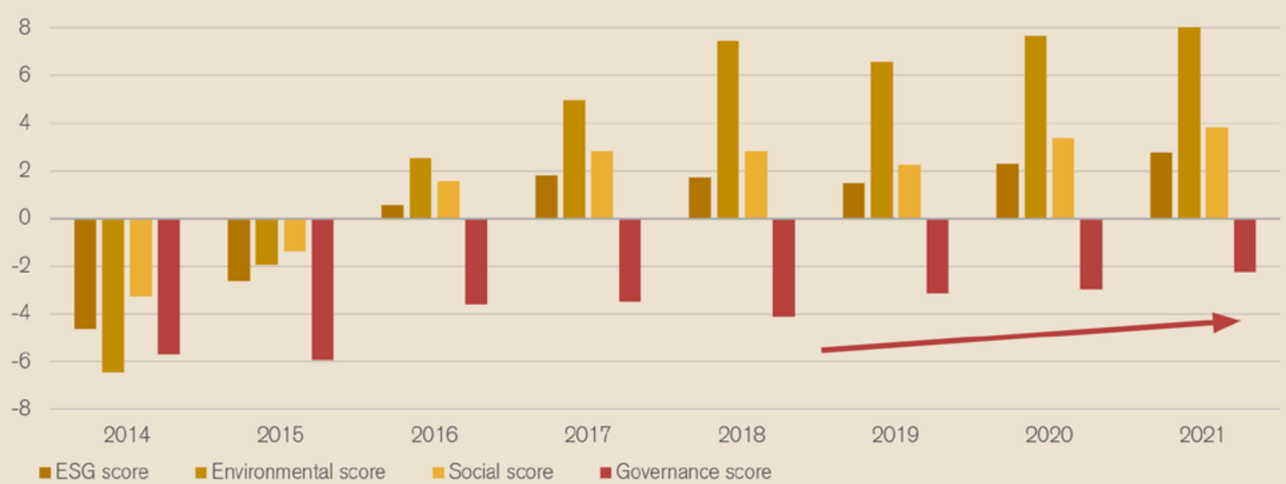
Family enterprises which were first- and second-generation businesses vastly outperformed those run by later generations. Compound returns in generations 1 and 2 were approximately double those in generations 4 and 5 or later. These disparities can be explained by the fact that early-generation enterprises are often in the early stages of the entrepreneurial lifecycle, resulting in more robust growth. Later generations, on the other hand, may suffer growth barriers, particularly if succession-related issues become more widespread.

3) Family Firms outperform on long-term share price

(Exhibit 3)

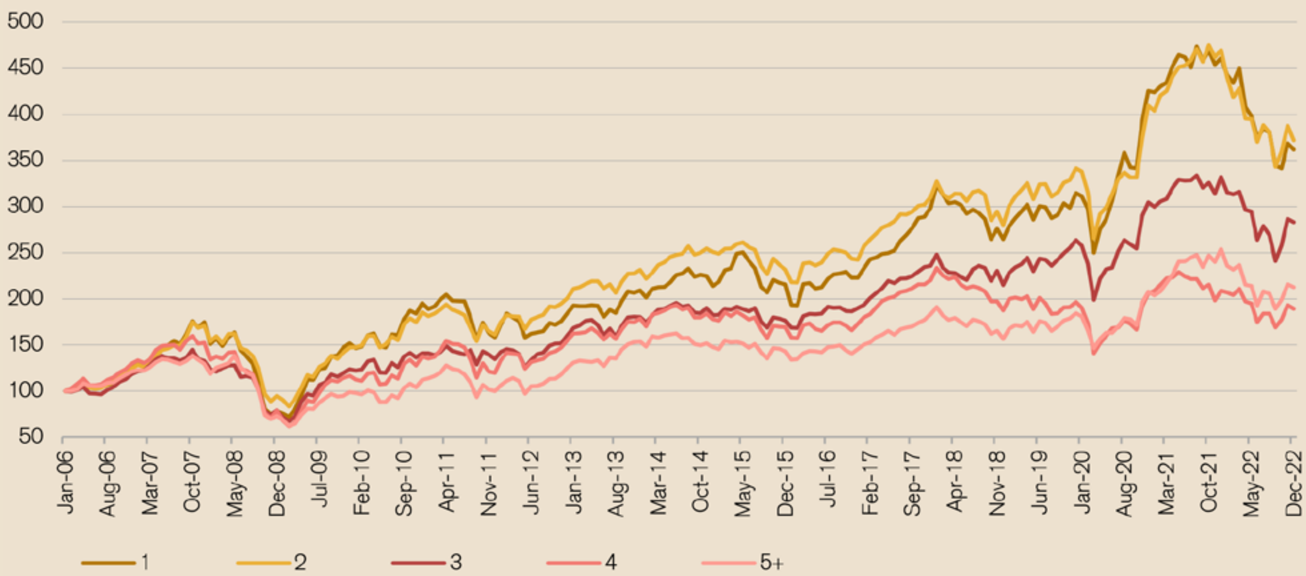
The study revealed a consistent and significant long-term share price out-performance by family-owned companies. From the year 2006 to the present, the family-owned universe surpassed the non-family-owned group by an average annual margin of approximately 300 basis points, highlighting the sustained advantage of family businesses. •

Exhibit 1: Average ESG scores for family-owned relative to non-family-owned companies



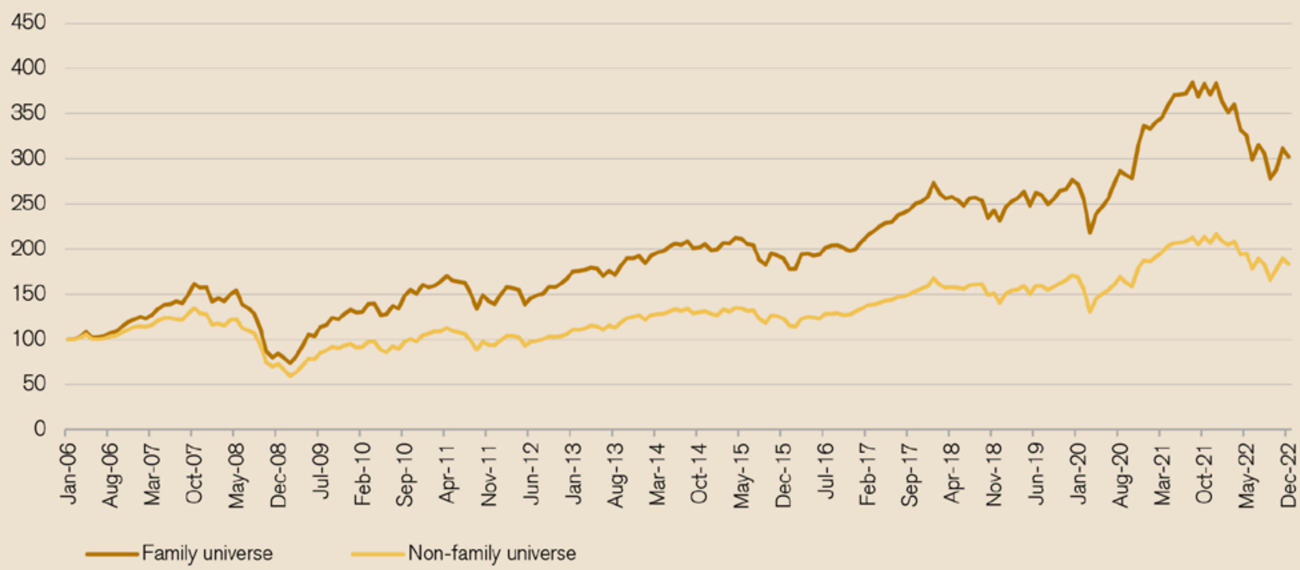
Source: Credit Suisse Research Report 2023, The Family 1000: Family Values and value creation

Exhibit 2: Performance of family-owned companies by generation since 2006



Source: Credit Suisse Research Report 2023, The Family 1000: Family Values and value creation

Exhibit 3: Share price performance of share price performance family versus non-family businesses



Source: Credit Suisse Research Report 2023, The Family 1000: Family Values and value creation

Case Study

Mariwala's Family **Entrepreneurship Challenges**

Marico was established in 1990 as a stand-alone subsidiary company of BOI (Bombay Oil Industries)—a business set up by Vallabhdas and his son Charandas in 1948, dealing in commodities such as oil, chemicals, and spice extraction. As they primarily traded in pepper, the family earned the surname Mariwala derived from the word mari, which means pepper in Gujrati. Charandas was soon joined in the business by his brothers Hansraj, Jaisinh and Kishore. Kishore had completed his Master's in Chemical Engineering from Massachusetts Institute of Technology (MIT).

Harsh Mariwala, Charandas' son had joined the business in 1972 as a newly minted commerce graduate. His penchant for fieldwork gave him a unique perspective on consumer preferences, regional opportunities, and product differentiation. He was the first in the family to recognise how the business, which till then had been operating essentially as a commodities business, could be grown into a brand. For instance, he was behind the launch of plastic packaging and small-sized containers for Parachute coconut oil, which led to a three-fold increase in its market share from 15% to 45%. In the refined edible oil category, his strategic mix of medical endorsements and customer education created a unique market segment for a healthy oil tapped by his brand, Saffola. Under his leadership, the consumer products business contributed significantly to the BOI profits and turnover.

Though Harsh brought energy and innovation to the business, it largely operated as a traditionally run family business that lacked professionalisation in decision-making, strategic management, and governance. The absence of clear accounting policies and processes led to the consumer products division covering the inefficiencies and losses of other divisions. - With time Harsh and other family members acknowledged the differences in their underlying motivation and vision about the jointly run business and decided to separate amicably.

They spun-off different verticals into standalone subsidiaries of BOI. The third-generation cousins were given independent charges of businesses and appointed CEOs of the business assigned to them, with their fathers operating as executive chairmen to facilitate intergenerational knowledge transfer. The ownership of the business remained undivided and vested in the holding company, BOI, in which all four branches of the Mariwala family retained equal shares.

Harsh Mariwala was appointed the CEO of Marico. On receiving the independent charge of the business, his priority was professionalising the organisation by recruiting highly qualified top-level executives, even if it meant paying more than the market average. His second focus area was creating an open and transparent culture across the organisation underpinned by strong values and beliefs. At a personal level, he invested a lot of time and effort in associating with academics, industry and function experts who could bring incremental value to the business, often flying in the evening to attend a lecture and taking the next morning flight to be at the office. His hard work paid off, and within six years of the reorganisation, the company had become a force to reckon with. It not only consolidated its market position but successfully fended off the threat posed by the FMCG behemoth, Hindustan Lever, that had wanted to acquire the Parachute brand.

However, the complex joint ownership structure continued to dog the organisation and separation of ownership became inevitable. To ensure that no family differences were made public, a trusted family friend was brought in the facilitate the separation conversations. In this emotionally and financially fraught situation, Harsh received crucial support from his uncle Kishore. Both of them agreed to jointly buy out the share of the other two branches of the family. However, Marico's extremely attractive valuation meant that they had to pay an exorbitant sum to buy ownership of the company, which was ultimately financed by an IPO and OS issue in 1996.

Under Harsh's leadership, Marico had evolved into a transnational business with multiple brands in the haircare, health foods and skincare categories. In the financial year 2013-14, Marico registered sales of over INR 46 billion and a post-tax profit of over INR 4.8 billion. Harsh's vision and his ability to attract high-quality professional talent has been the bedrock of Marico's success. Though it is a common practice amongst business families in India to pass on leadership to the next generation of family members, Harsh wanted this decision to be more nuanced and merit-based. Both his son and daughter, though academically qualified, were relatively inexperienced to take over the reins of the business. Moreover, they were eager to pursue their own interests. Harsh had worked hard to build an organisation that was rooted in values without compromising on its vision. He knew it would be a formidable challenge to find a successor who possessed both the necessary business acumen and congruence with Marico's culture and values.

Key Learnings:

- From a business perspective, a transparent and well-thought-out succession policy is important for the firm's future strategic direction and growth, cohesiveness and teamwork, and employee morale and productivity.
- From a family perspective, the successor choice is a significant factor that affects the family's interaction with the business, their trust levels, and their decision to follow a more hands-off approach.

With time Harsh and other family members acknowledged the differences in their underlying motivation and vision about the jointly run business and decided to separate amicably

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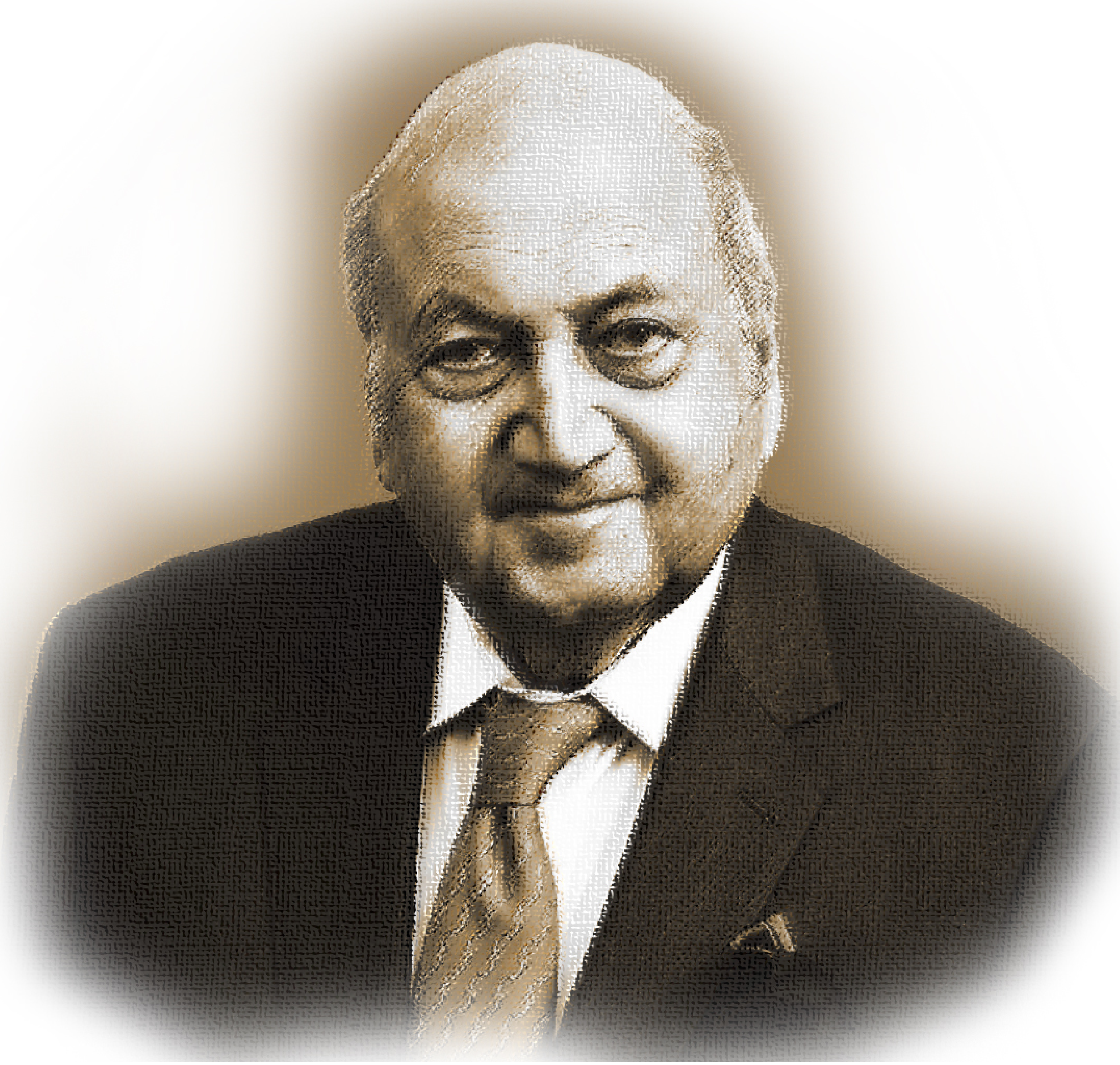
Keshub Mahindra
(1923-2023)



It can be said that Keshub Mahindra's story is interwoven with the history of the auto industry of India. Born in 1923, he graduated from Wharton (University of Pennsylvania) in 1947—the year India gained its independence—and returned home to join his father K.C. Mahindra and his uncle J.C. Mahindra in a venture with the iconic Willys Jeeps, thus beginning a tryst with automobiles that would last for decades.

Under his stewardship, Mahindra & Mahindra transformed from an agency for Willys Jeeps into a behemoth with businesses in over 20 sectors , including cloud and network technology, hospitality, financial services, real estate and, of course, automobiles.

Mahindra & Mahindra was established in 1945 as a steel trading company. It was initially called Mahindra & Mohammed till Mr Mohammed left the company and became Pakistan's minister of finance after India's partition in 1947. In 1948, a young Keshub joined the board and, in 1963, he was appointed the Chairman of the company. He spearheaded both the organic and inorganic expansion of the business across sectors through crucial alliances with companies like Peugeot, British Telecom, and Mitsubishi. His knack for building partnerships and identifying opportunities that would help companies build businesses in India was instrumental in establishing Mahindra's global presence.

He also served on the corporate boards of major Indian companies, like Tata Steel, Tata Chemicals, SAIL, Indian Hotels, IFC, ICICI Bank and was a member of many industrial forums like the Sachar Commission on Company Law & MRTP, the Prime Minister's Council on Trade & Industry, Apex Advisory Council of ASSOCHAM. In 1987, he was awarded the Chevalier de l'Ordre National de la Legion d'honneur by the French Government.

After nearly 5 decades of being at the helm of the business, he handed over the reins of the company to his nephew, Anand Mahindra, in 2012 and became the Chairman Emeritus of the group. But even before he retired, he was actively involved in many philanthropic and developmental projects. At the behest of the Indian government, he founded the Housing and Urban Development Corporation (HUDCO), a project that took him across the worst poverty-stricken slums in India. In an interview with Wharton, he described how this experience affected him: 'I visited some of the most deplorable slums in India. I would come home and wonder how people could live like this. That had a huge influence on my life.' Another passion project was women's education and the K C Mahindra Foundation, started by his father in 1963. Since its inception, the foundation has funded more than $119 million in grants and scholarships.

The only blemish in an otherwise stellar career was the 1984 Bhopal Gas leak tragedy which occurred when he was acting as the non-executive Chairman of Union Carbide India and he described the tragedy as one of the most painful episodes of his life. He also refused to accept the Padma Bhushan awarded to him, citing that he didn't want the institution of National Awards to be mired in any controversy due to him.

Keshub Mahindra passed away on 12th April 2023, just a few days after Forbes released its report on India's Richest Billionaires, recognising him the as the oldest Indian billionaire with a net worth of $1.2 billion. He would have turned 100 on October 9th and is survived by his wife Sudha and three daughters, Uma, Leena and Yuthica.

Keshub Mahindra represented a generation of pioneers who helped India take its fledgling steps towards establishing an indigenous automobile industry. In an

Under his stewardship, Mahindra & Mahindra transformed from an agency for Willys Jeeps into a behemoth with businesses in over 20 sectors

interview with Autocar India he described how the decision to get into automobiles was not a choice but rather the need of the hour for the country. The impact that he had on the industry and on people's lives can be evidenced by the tribute HDFC Chairman Deepak Parekh paid him, 'His presence in my life was larger than life itself; Keshub was the fulcrum of my universe. He guided my thoughts and actions through these many decades; he was a captain of my destiny. A stalwart of industry, an astute pillar of strength, a force of nature.' ●

Keshub Mahindra represented a generation of pioneers who helped India take its fledgling steps towards establishing an indigenous automobile industry.

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Dr. Frank Stangenberg-Haverkamp, Chairman Executive Board and Family Board of E. Merck KG and Head of the Merck Family

Three centuries of keeping **the business within the family**

Dr. Frank Stangenberg-Haverkamp was born in 1948 in Dorsten, Germany. Following his German University entrance qualification (Abitur) he served with the German Air Force, which he left as Lieutenant. At the University of Freiburg/Br. he studied economics and economic history. After completing his studies, he worked at Commerzbank and the Investment Banks Baring Brothers and Hambros in London. In 1984, he was elected to the Board of Partners of E. Merck K G and was the Chairman of the Board from 2004 to 2014. In January 2014 he was elected Chairman of the Executive Board and the Family Board of E. Merck K G and is now the Head of the Merck Family.

355 Years! The oldest pharmaceutical and chemical company in the world, Merck, has had a long journey. How has the family kept control of the ownership of the company within the family for so many years?

Every generation of the Merck family has acted as trustees for the business, and as trustees for the next generation. Selling the company was never an issue and has never been discussed. The question has always been, how can we make sure that we pass on the ownership of the company to the next generation? Trustees keep the ownership of a company in trust for their children and grandchildren. That also means strict discipline in using the profits, i.e., reinvesting most of the profits back into the business to help develop the business further. The family has always been very moderate in spending money, and moderate in portraying and presenting itself to society in general.

Another important point is the fact that as early as 1920, non-family members were invited to the top board of the company to help run the company. The family had realised early that they did not have enough family members of the quality needed to run a complex

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business. They had to empower non-family members to help run the business to make sure that the family could keep control of the company.

The family has over 300 members. How has the family kept itself together and maintained harmony within itself?

The family is strictly organised by a set of family by-laws, which have been developed out of the first family contract in the late 19th century. These family by-laws set out who exactly is a family member and what the duties and privileges of each family member are. Non-family members cannot own shares within the family company. This family contract is one of long duration and currently goes up to the year 2040. Before that, no family member can leave the company. Only when the contract is prolonged in 2040 for another 10 years to 2050 will family members have the right to give their notice to leave the company in 2040. However, this option has been taken up rarely in the past.

How is the ownership of Merck structured within the family?

Family members do not own any shares in the operating company, Merck KGaA, which is the listed company as well. Indirect family ownership of the listed company is 70.3% of the equity of the listed company. This 70.3% equity stake is owned entirely by E. Merck KG, the family holding company, which is 100% owned by the family. The ownership of the family is in the form of capital participation certificates of E. Merck KG which are only tradeable within the family and not outside the family.

What are some of the specific steps taken to keep family members informed and involved in the activities of the company?

The family is regularly informed about the progress of the business via the Merck Family Net. All publications of importance are posted on the Merck Family Net and can therefore be accessed by any family member. There is an annual family AGM on the second weekend of June where the board of the company presents last year's results to the family and informs them about former and current developments. Every second year, an extraordinary AGM of the family is called in late January/early February to keep up the dissemination of important information. Furthermore, so-called "fireplace evenings" are held in different locations 4 to 6 times a year, where family members living in that geographical area are invited to join, ask questions and get information about the company's development.

What are some of the salient practices followed by the family to groom the next generation members as responsible owners and leaders?

There are several activities by which the next generation of the family is guided closer to business activities. The most important ones are the Merck Next Generation (MNG) activities. Grouped as MNG-1 for the 15- to 23-year-old family members and MNG-2 for the 24- to 35-year-old family members, these groups go separately to visit Merck offices and factories in Germany or in Europe to get informed about our activities in those countries and also on specific business areas. These visits take place over a weekend where the young family members are also informed about topics like family governance, activities like mergers and acquisitions, or legal aspects of the business. Most young family members attend these excursions regularly. After 20 years of such excursions, not only would they have seen a major part of how the business works, but they would also have become much closer to their cousins who also attend these events.

Every five years, the so-called Merck Family University is organised, where up to 20 young family members—all of whom ought to have finished their professional education and be interested in learning more about the company or in eventually joining one of the boards—get lectures on different topics like leadership, finance, family history, etc. All this is done during five long weekends. The courses are taught by either senior employees of the company or professors from outside institutions, like the Frankfurt School of Finance.

What are some of the challenges that the family expects to face while continuing to build Merck as an institution in the next 100 years or so, and how is it preparing to address them?

With the growing number of family members—now 328—it is becoming more and more difficult to involve and keep all family members interested in the business, therefore, the biggest challenge is to make sure that all the family members, particularly the hardcore of approximately 30%, remain interested in the development of the business. Another challenge—one which is out of the hands of the family—is the challenge of taxation. If inheritance tax becomes so punishingly high that the tax cannot be paid out of the ordinary profits, it becomes very difficult to maintain long-run ownership of the business. As we have seen in other countries, owners have had to sell part of the company simply to settle the tax bills. This is currently not an actual threat, but one has to be aware that it may happen and prepare in time for it, i.e., passing on shares and company ownership to the next generation while the tax burden is still affordable and payable from the company profits. Another challenge is, of course, finding experienced and interested family members to help control the business. The running of the operative company can be trusted in the experienced hands of external managers, but the control of the business has to remain in the hands of the family, especially if we want to survive as a family business for the next decades to come.

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The family and the business have faced major challenges and many ups and downs – from wars to pandemics, political upheavals, and natural disasters. What are some of the lessons in crisis management and resilience that can be imparted to other family businesses?

Merck has always been a value-based business. Both the business and the family have to conform to the company's values. These are the guidelines that help steer our business as well as the family through difficult times. The other important lesson is that you have to learn to rely on trustworthy and committed non-family members who can help you run the business even in times of crisis. The family has to be modest, and the profits have to be mainly reinvested into the business to make sure that the business remains properly funded. Keeping all family members properly informed about every aspect of the business is one of the simplest ways to ensure that the family keeps an interest in the business and eventually survives even in difficult times. ●

Shreya Reddy,
Executive Director,
CMR Group of Institutions

Education for and by the Next-Gen

Shreya Reddy is the Executive Director at CMR Group of Institutions. Currently, she oversees strategic communications for the CMR Group and has played a pivotal role in bolstering CMR Group's online and offline presence since 2011. With a Postgraduate degree in Management for Family Business from the Indian School of Business, Hyderabad, and a Bachelor's degree in Electrical and Computer Engineering from Cornell University, USA, Shreya combines her technical expertise with strong business acumen. Her professional journey spans over a decade, during which she has worked across various industries, such as networking, semiconductor, health tech, pharmaceuticals, medical devices, fitness, and education management.

When and how was the CMR Group of Institutions founded? Who are some members of the family involved in the business?

The journey of the CMR Group has been built brick by brick, dream upon dream.

The late Sri Chikka Muniyappa Reddy, a visionary educationist and philanthropist, dreamt of providing quality education at scale to one and all. His son Mr K.C. Ramamurthy, my father-in-law and the Chairman of the CMR Group, along with his wife Dr Sabitha Ramamurthy, my mother-in-law and the President of the Trust and Chancellor of CMR University, have strived to achieve his vision. In 1990, they identified a piece of family-owned land and started a school in a three-room shed with only a modest capital investment. In its first year, it catered to just six students—a class of few locals and members of the extended CMR family. By 1993, the student body had ballooned to a staggering 426 students and from that point onwards, it grew exponentially.

Since completing the programme, I have introduced the practice of monthly family business meetings, weekly family dinners and annual vacations, which have brought us closer and increased opportunities for interaction

With Dr Sabitha Ramamurthy at its head, in 1995 the CMR Jnanadhara Trust came into being—the name of the trust being a mix of the name of the man whose legacy they were trying to fulfil, and the word "Jnanadhara" which means imparting knowledge. By 2012, the trust supported and managed the activities of an entire group of 20 institutions across 7 campuses in India, with courses ranging from schooling at the Montessori level and K-12 schools to post-Graduate and doctoral programmes. In 2013, the Cabinet granted approval to CMR Jnanadhara Trust to establish a private university in Bangalore.

My in-laws, my husband, Mr Jayadeep K.R., my sister-in-law, Dr Tristha Ramamurthy, and I are all actively involved in the business. I became a part of the CMR Group in 2011 as the Director of Finance and Administration and now serve as the Executive Director of the CMR Group.

Why did you choose to join the family business rather than make a career outside of the family business?

In 2011, I joined the family business, firmly believing that my diverse experience in technology, pharmaceuticals, and corporate sectors would bring a fresh perspective to the education landscape in India. I was welcomed warmly by my husband and father-in-law. They recognised the value of my quantitative aptitude and encouraged me towards finance and accounting. However, I leveraged my own skills and business experiences to shape my role within the organisation, making brand marketing and communications my primary focus. I was allowed the freedom to explore various opportunities and make an impact where I saw fit and I gravitated towards a role that aligns better with my talents, one that is more digitally and socially focused. It is a role that I thoroughly enjoy.

Since completing the programme, I have introduced the practice of monthly family business meetings, weekly family dinners and annual vacations, which have brought us closer and increased opportunities for interaction. While not everything has gone perfectly, these efforts have set us on the right path toward positive change and growth. Previously, introducing best practices from the corporate world to our family business was met with resistance because of its unstructured work environment, rooted in earlier generations' styles. Equipped with the knowledge gained from the programme, I approached my family business with a fresh perspective, leveraging my project management and process excellence skills. Delegation became a priority as I embraced a strategic mindset, focusing on team-building and implementing effective processes.

The programme opened my eyes to potential challenges our family business may encounter as we transition from an ownership model to a sibling partnership. Studying relatable scenarios reassured me that our situation is not unique, and I learned from research and case studies to approach sensitive topics with my family.

After graduating, I encouraged my husband and my mother-in-law to attend the annual FB conference and similar family business programmes. This marked a significant step towards professionalising the business and implementing succession plans. We are currently collaborating with a consulting agency to restructure our business, establish systems and processes, and adopt a sibling partnership ownership model. Our focus is on developing a family constitution, implementing best practices, and creating a family governance model. •

Has there been any formal grooming process in the CMR family for next-gen members like you?

I lacked formal grooming within my family business. Coming from a structured corporate background, the non-profit sector of our family business presented new and daunting experiences, with no established feedback or review system. To familiarise myself with the organisation, I shadowed my mother-in-law, Dr Sabitha, and learned the value of building collaborative teams. Taking charge of developing the web presence for the Group and its institutions was an education, allowing me to grasp the broader picture. While most of my learning came from conversations with family members, until recently, there was no formal grooming process for the next-gen members, and this remains unchanged. However, the siblings have had exposure to the family business since childhood and are currently undergoing coaching aimed at enhancing their communication skills, to not only strengthen their sibling relationship but also to prepare them for their future partnership with each other in the business.

How has a master's in family business equipped you to handle the family business dynamics and navigate the challenges? Please share any perceptible difference in your job portfolio and working style pre- and post-MFAB programme.

My journey through the Master's in Family Business has been transformative. It has armed me with specialised knowledge and skills in family business dynamics, equipped me with a solid foundation in business principles, strategic management, finance, marketing, and operations, as well as sensitised me to certain issues that might arise. I now know the importance of succession planning, the professionalisation of the business, and the complexities of family relationships. One of the most enriching aspects of the programme has been connecting with fellow peers who also come from family businesses.

Samina Hamied,
Executive Vice-Chairperson,
Cipla Limited

Inheriting a rich business legacy and **taking it to greater heights**

Samina Hamied is the Executive Vice-Chairperson of Cipla Limited and represents the third generation of the founding family. An alumna of the London School of Economics, she has worked with the leading global firm Goldman Sachs (UK & US). Samina joined the Cipla leadership team in 2011 as Executive Director, and Global Head – Strategy, M&A & Cipla New Ventures. She has been instrumental in driving the Company's transformation agenda; playing a key role in successfully incubating Cipla's consumer health business and spearheading the company's ambitious foray into the US market with strategic acquisitions.

She was amongst Business Today's 'Most Powerful Women in Business' in 2017 & 2022. In 2018, Forbes featured Samina in the 'Top 25 Emergent Women Business Leaders in Asia'. Fortune India named her amongst the 'Most Powerful Women in Business for five consecutive years (2018-2022). She was awarded 'Businesswoman of the Year' at The Economic Times Awards for Corporate Excellence in 2021. Most recently, Samina was conferred the 'EY Entrepreneur of the Year 2022' in life sciences and healthcare category; and was named among the 'Most Influential Women in Healthcare 2023' by BW Healthcare World.

Growing up, what were some of your biggest sources of inspiration?

Growing up, my family often reminded me of my grandfather's words, 'What is the use of making life-saving drugs, if they aren't affordable and accessible?', and those true words have reverberated throughout my childhood. It is statements like— 'Always have a purpose, always make sure whatever you do serves some part of your community and always do the right thing, even when no one is watching'—and a vision of building an equitable world on the foundation of care that has been an inspiration to me, and continues to be the guiding force for all my decisions.

You were a banker in New York City. What made you leave your job at Goldman Sachs and return to India to join Cipla?

Everyone thought my decision to switch my career from an investment manager in London to my family business here in India with practically no experience in the pharmaceutical sector was a massive responsibility. In 2013, I joined the management team at Cipla as 'Head Strategic Projects – Cipla New Ventures'. But I saw it differently. For me, it was an opportunity to infuse fresh thinking into the organisation and refresh the existing mindset to lead it towards future growth. Also, my consultancy background and work in two leading foreign markets helped me bring fresh insights and an external perspective to Cipla. It helped me bring a different approach to the table at the right time – when Cipla was undergoing a transition.

> ***I also believe that understanding your long-term strategy is important, as is knowing where you want to go. Only when you know where your point of arrival is can you even plan from your point of departure***

Yusuf Khwaja Hamied is one of the tallest leaders in India. Your brother and you were groomed by him to spearhead Cipla. Please share a) the process of grooming, and b) a few learnings that you abide by in all circumstances.

My uncle Dr Y.K. Hamied and my father, M.K. Hamied are the two sources of inspiration that guided my growth at the time that I joined Cipla. As veterans of pharma and someone who had been with the company for over two decades, they had a solid understanding of the business and the company. Guidance from mentors like my uncle, Dr Y.K. Hamied and my father, Mr M.K. Hamied shaped my view. It is through my conversations about the business with them that I was able to cultivate a deeper understanding of how the generics medicine business runs and develop my depth of knowledge as well. The message from both was to never lose sight of our purpose that is 'Caring for Life' that drives all our actions.

And with these, came many meaningful learnings. To start with, I believe that as a leader, having a well-defined vision is crucial. Driving substantial transformation in an organisation of our magnitude can be a challenging task. Our responsibility was to guide and support employees through the change, reassure them, alleviate their apprehensions, unify the workforce, and lead all of them forward in a cohesive direction.

Also, when you're working with a company that has eight decades of rich legacy behind it, it is imperative to tread carefully. I was empowered to transform the company because of my position on the Board and keeping the purpose of Cipla intact was my top priority. Disruptive decisions that I took at that time may have been new to many within the system, however, with conviction and a well-thought-through strategy, we were able to lead Cipla onto a new path of becoming a major global healthcare organisation focused on wellness, and going beyond the pill.

Were there any differences in the way your brother was groomed when compared to you?

My grandfather's vision to build an equitable world on the foundation of care was something that he followed in both his professional and personal life. And my uncle continued with that vision as well. It is this principle of equity that has been a guiding force in the lives of my brother and I.

Whether it was the founder, Khwaja Abdul Hamied, or his successor, Yusuf Khwaja Hamied, they believed in making medicine affordable and accessible. How do you carry forward this legacy while being cognisant of the demands for growth and margins?

Cipla was built on the foundation of care, which was a legacy that was taken forward by my uncle and father as well. And I'm truly humbled and privileged to have been trusted to take that legacy forward. I started by doing several things at Cipla. I was looking at talent; I was looking at HR, M&A and strategy, and those are the building blocks of any business because I believe talent is the biggest strategic enabler for any business. Looking back, upon joining in 2011, our large-scale transformation presented various challenges. McKinsey was brought on board to help us put new approaches in place. Through them, we understood that despite our manufacturing capabilities, our operational efficiencies had to be strengthened and supply chains needed to be improved. As a part of this transformation exercise, we realised that major value lay at the front end and unless we ascended the value chain and built a front-end ownership, the company would not make a more significant global impact.

I also believe that understanding your long-term strategy is important, as is knowing where you want to go. Only when you know where your point of arrival is can you even plan from your point of departure. Back in my early days at Cipla, there was a lot of untapped scope on the commercial front. Our peers had made considerable progress front-ending the US market while we continued to focus on India and South Africa. Taking a leap, I spearheaded our ambitious foray into the US market with the strategic $550-million buyouts of InvaGen Pharmaceuticals and Exelan Pharmaceuticals in 2015. Through this, we managed to establish a big presence in the US, even though we were a late entrant. Today, as per doctors' prescriptions, we are amongst the top 10 generic players in the US and growing faster than the market. This has been one of the most defining moments in my career: steering Cipla on an accelerated growth path to help boost margins while not losing touch with our core values of 'Caring for Life' and trying to make a difference in the lives of patients beyond pursuing profits alone.

What are a few specific steps taken by you to ensure better gender diversity at Cipla?

I truly believe that inclusion and diversity at Cipla stem from our inherent purpose of caring for our people by looking at them through the lens of humanity. I chair the Inclusion & Diversity Council at Cipla, which has advised on all matters related to diversity and inclusion since its inception, and launched the #EqualCipla programme globally. This initiative aims to build an equitable workplace and has done so through several related initiatives.

We maintain a constant focus on having a diverse and inclusive workforce. We have instituted 13 packaging lines operated by women across our manufacturing sites. We introduced the #EqualCiplaEqualVoices networking platform to encourage open and honest conversations on inclusion and enable Ciplaites (Cipla employees and co-workers) to connect, share and learn from varied experiences. As a part of this initiative, we often invite external speakers and host interactive virtual conversations on the importance of support systems at work, equal parenting, empathetic leadership, and inclusion of the differently abled and the LGBTQ .

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In order to incorporate flexibility, we launched the 'Flexi Field Days' policy last year that offers women in our field force the flexibility to work from home. We champion role modelling and leadership advocacy through our #WinningAtWork campaign, which highlights the success stories of our women colleagues, who have had fulfilling careers at Cipla.

Looking to shift mindsets and drive behavioural change, we have conducted unconscious bias workshops for over 535 mid-level and senior leaders, which has helped them become more conscious of their prejudices and to break down their preconceived notions.

Upholding the freedom of choice and identity, at Cipla we have extended our medical insurance policy for live-in partners and same-sex partners. We have also introduced daycare and creche facilities at our sites.

What are your thoughts on work-life balance? Few women leaders believe that "women can't have it all." Do you agree? If yes, why? If not, why?

As women, we have to play multifaceted roles, compelling us to make very specific choices to strike a healthy balance between family and work. There are also times when one needs more focus than another. Managing this daily is no easy task. Additionally, there are also pre-existing social constructs and mindsets that we must tackle. With all of this in mind, while the opportunities for growth for women leaders are immense, we still have to navigate an environment where we have to manage many responsibilities outside of work alone.

That being said, I firmly believe that a woman should never second-guess her abilities and potential to make a significant mark at work. While a woman plays several roles in her life, she must not compromise on her aspirations. It may not be easy, but do not get intimidated by the situation. Go after what you want. ●

Rishabh Shroff,
Co-Head,
Private Client,
Cyril Amarchand Mangaldas

The practice of law **over generations**

Rishabh Shroff is the Co-Head of the Private Client at Cyril Amarchand Mangaldas, India's largest and leading law firm, specialising in all aspects of family governance, including family constitutions and settlements, trusts, wills, and succession planning. He also provides succession, taxation, estate, and wealth planning advice to wealthy individuals and their families as well as family offices. He has been ranked in the Economic Times's prestigious 40 under 40 list for 2021 as well as in UK's prestigious legal publication, Legal Week continuously since 2017 as one of the top family business lawyers in the world. Rishabh is also a monthly columnist in the Mint Newspaper and writes on personal finance, succession, and estate planning.

You are a part of a 106-year legacy in providing legal services in India; you grew up surrounded by lawyers. How did your environment play a role in your choice of career? Was being a lawyer the only profession you wanted to pursue?

It would be a dreadful cliche to say that since I came from a long line of lawyers, I wanted to be a lawyer myself. Yes, that played a crucial part; but I like to tell myself that I made the choice voluntarily! Being sent abroad to study in a boarding school (Rugby

School, UK) at age 13, I spent almost 11+ formative years away from my home base and away from the legal environment at home. I experimented with my passions there such as science, history, and writing—I even thought I would one day become a (Pulitzer Prize winning) journalist for a global newspaper!

But the more I looked at all these options, the more I realised that law combines all these passions into one role. I like to believe I have an analytical mind (science), a creative dramatic flair (writing), and an interest in looking at the past to learn about the future (history)—being a lawyer has allowed me to play in the best of all worlds and pursue all my passions, albeit in a different avatar. To be a great lawyer, you need to have an analytical mind to understand and solve complex problems. You need to be a great communicator (verbal and written) and be creative in your arguments (if so required). Law was a perfect match for me.

Looking at the perennial debate on nature versus nurture, I believe coming from a legal family helped me firm up my choice to pursue law; that's the nurture element of it. As a 4th generation lawyer, I grew up fully immersed in a legal household, where law was literally in our blood. However, staying true to my nature, I think my choice of the area of law I want to focus on—advising family businesses—is the right choice for me. I have a very strong, process-oriented mindset and a great attention to detail, yet I like to think creatively and visually (see my social media posts, blog articles etc. for proof!), the law is the perfect melting pot for all these endeavours. If I wasn't a lawyer, I think I would be doing something in journalism or writing.

> ***Initially, it was tricky to have a reporting relationship with my father, who was also my boss, someone who would hold me accountable for my work and commercial outcomes. But now, after almost 17 years in the firm, I think I have found the right balance of mentorship and guidance***

As the son of two globally leading lawyers, how did you prepare yourself to work alongside your parents?

Law is a profession where you learn by osmosis, by watching your senior practice his/her mastery at work. You get trained in the law, but there is usually very little formal training on HOW to be a lawyer. I was lucky to have the best mentors and finest lawyers in India to teach me, formally and informally — my parents. Once I came back to India in 2007 and started working with Amarchand Mangaldas (AMSS) after finishing law in the UK, I immersed myself in the firm, its culture, and its pedigree, and did the best I could to learn key lessons from my parents.

Initially, it was tricky to have a reporting relationship with my father, who was also my boss, someone who would hold me accountable for my work and commercial outcomes. But now, after almost 17 years in the firm, I think I have found the right balance of mentorship and guidance from my parents, along with a strong reporting relationship on the work front. I think both my parents, I and my sister as well, have now transitioned from being just a family, to being a family in business together.

Was there a formal grooming process you went through with your parents? If yes, please share with the readers the salient points of the process. If not, how did their presence around you help you get groomed unconsciously?

We had a formal process, with external advisors, at a later stage in the grooming process. In the initial 10-12 years, my grooming was done directly by my seniors, such as my parents and a few senior lawyers in the firm. This part was focused purely on the technical side of the law, on things like client management, working as a professional, dealing with operational issues in leading a law firm etc.—a thorough grounding in what it means to be a commercially savvy lawyer.

In the later and more recent stages of my journey, we worked with external coaches and advisors to provide a broader grooming palette for me. We worked with a US-based senior executive coach, to help me understand more deeply my relationship with my work, the firm, and my family. The coach helped me to develop a model called **'I-We-It'** which I found very helpful to balance the 3 forces at play—'It' was for the technical side of the work I do, and the development journeys and growth, etc. needed there; 'We' was for the interpersonal relationships with my family (including my sister and my spouse, both of whom also work with the firm) and also with non-family professionals; and last, 'I' was focused on myself, my personal needs and areas where I could grow. I was given various milestones and tasks, projects etc. to work on covering different aspects (outside my normal day job), and working through these helped me see new ways of working harmoniously with both the family and the numerous outside professionals in the Firm.

It helped to have an outside voice guiding me on these issues. I found that useful while trying to navigate the journey of applying all these points within the firm. A purely internal approach would not have given me the complete picture.

What role have you played in shaping the new avatar of Cyril Amarchand Mangaldas? Please share a few specific steps taken by you.

I love being involved in new initiatives and ideas, and in playing my part in helping shape the direction of CAM. Let me share two quick examples with you.

I have always been focused on building and institutionalising relationships. In CAM, I head the 'International Business Development' function. This is aimed at CAM's relationship with intermediaries, such as foreign law firms, investment banks, accounting firms, insurance firms, etc. This was a new role and function created in August 2020. Since taking over in August 2020, I have helped transform this into one of the most important revenue generators for the firm. It has also become the 'go-to' team at the firm for dealing with cross-border matters. I have helped CAM build deep bilateral relationships across all levels, both within CAM and with our relationship firms globally. This is helping CAM to grow leaps and bounds in the international market. It is an active part of my daily work.

Another core business of CAM that I co-head is our family business advisory team or our 'Private Client' practice. As all external rankings (in the public domain) demonstrate, the team is now regarded as one of the finest in Asia (not just India). The team has acted on some of India's most prominent family separations, advising many of India's wealthiest families on issues related to governance, setting up family offices, etc. This is a passion of mine, as I use my own life experiences to help families navigate tough conversations and succession journeys e.g. how to deal with conflict, handling family separations, working with women in the business etc. I get to work professionally with my father/boss very closely on this. This has helped make CAM the finest firm in this field, and I play an active part in this work.

From the vantage point of being born into a family of lawyers, please share with us your views about the merit versus nepotism debate taking place in every profession.

Tricky question! When it comes to the legal profession, it is certainly one of the few jobs or functions where merit is key. Sure, having a famous last name can get you through the door, but given this is a profession driven by certain abilities—intellect, empathy, problem-solving attitude, and the ability to handle tricky situations in which clients come to you with their deepest and most personal problems—you need to be a highly competent lawyer in your own right to address the issue, win the client's respect, and ensure that they come back to you again. Just a famous last name does not take you very far.

It would be unfair to conclude if someone is the son or daughter of the founder, they are NOT qualified to handle the job. Very often, they are more than ideally qualified for the job given that they have had the best of both worlds —they are the living, breathing embodiments of the founder's entrepreneurial DNA and spirit along with being highly educated and experienced even outside the core family business. This allows them to bring something to the table an ordinary professional usually cannot. Of course, there are examples from both sides of the spectrum, but as a next-gen myself, I view the journey of my fellow inheritors more sympathetically.

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You work closely with many business families. What are a few key challenges facing business

families in India today? What advice do you have for them to address these challenges?

This can be the topic of an entire ISB book. In summary, some challenges I see are:

- Succession planning: Older business families are ageing, with the patriarch (unfortunately, few matriarchs are in such positions) in his 60s/70s. Some have started the journey of succession planning, and many are still in the early planning stages; but the vast majority have taken no real action on this. It is a generational ticking time bomb. To help address this, it is always best to bring in your legal advisors early who can help you to professionally structure your business succession and wealth transfer in a smooth, tax-efficient and timely manner. Time is your greatest ally here. A close second would be transparency and openness—communication is crucial to help your family understand the choices you are making regarding succession. Outcomes can include a detailed family constitution, setting out the roadmap for future succession and governance events.

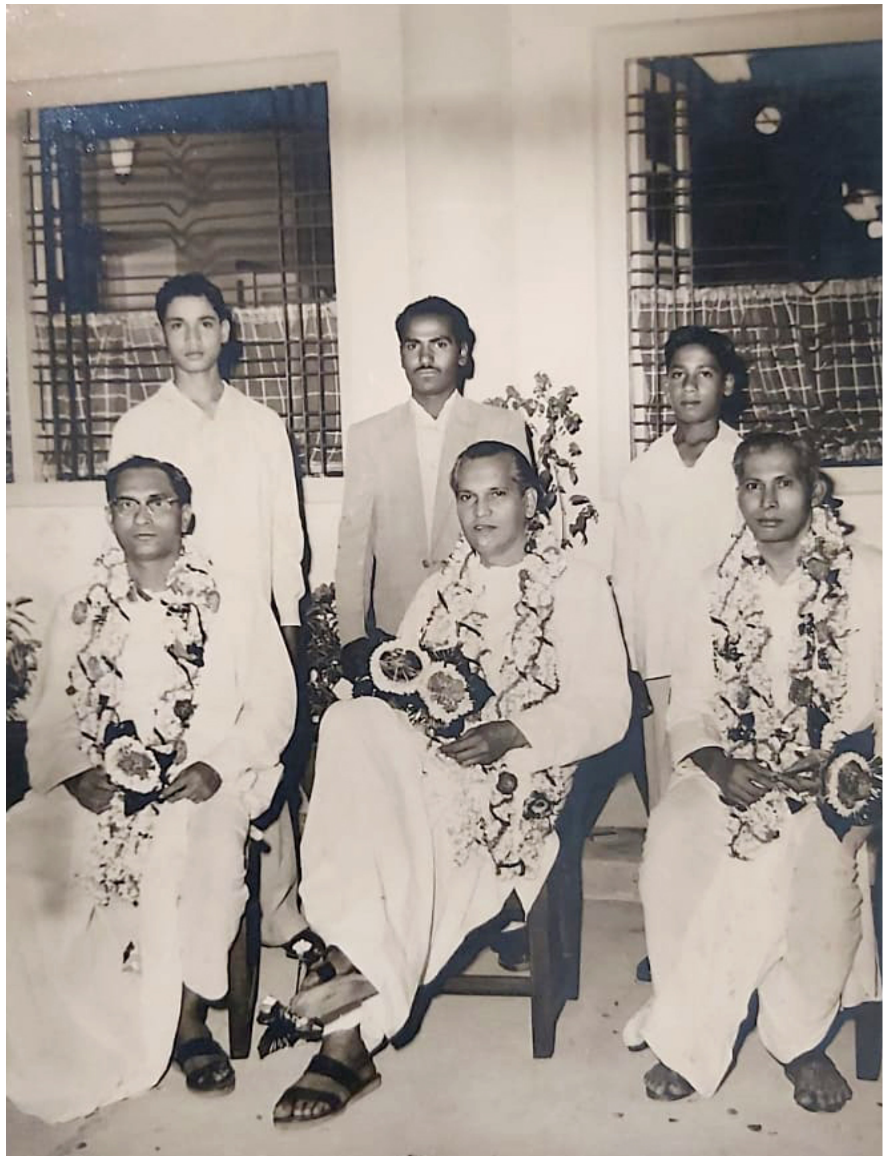
- Professionalisation of management: Many Indian businesses often struggle in their transition from a family-led management structure to a more professional and merit-based one. There is an inherent conflict between the socialist or emotional ideology of a family system (where the eldest male family member manages the business) against the capitalist ideology of the business world (where the most competent person, family or professional—the one who can deliver the best stakeholder value—runs the business). Families are struggling with this transition, but things seem to be getting better as more and more families are realising they need to work in sync with professionals to scale their businesses. To be more specific, this would involve helping the senior generation in achieving a 'role or priority realignment' (retirement is a bad word!), moving away from executive and day to day responsibility in the family business; and likewise helping the next-gen step into leadership at the highest level. We often help families in creating structures where the family and the professional senior team can work in harmony. Outcomes include preparing bespoke ESOP plans, and performance-based compensation structures. There can be deeper outcomes, too, like clearly providing for the role of the family in strategic decisions (e.g. opening new expensive verticals, shutting down a business etc.), and more operational freedom for professionals.

- Competing options and priorities: From the next-gen's point of view, they are growing up in a very different business world from the one their parents had. Faced with a large variety of appealing career options beyond their traditional family businesses and their attendant complexities, fuelled by easy access to capital and an ecosystem that encourages entrepreneurship (e.g. startups) and even rewards failure, we see many next-gen members deciding to chart their own destiny instead of joining their family business. That is not necessarily a bad thing—many work under the broader umbrella of their core business, but are building new-age businesses and taking bold bets. Challenges often arise in aligning the governance and structures of such ventures (e.g. where and how are such new businesses financed) with the traditional business. But there is nothing in this that can't be solved. ●

> ***There is an inherent conflict between the socialist or emotional ideology of a family system (where the eldest male family member manages the business) against the capitalist ideology of the business world (where the most competent person, family or professional—the one who can deliver the best stakeholder value—runs the business)***

Taj Mahal Hotel

Love across **generations**



When quizzed, family business owners can relate multiple stories that have added to the lore of the Taj Mahal Hotels in the twin cities of Hyderabad and Secunderabad. Be it the incident of the bridegroom who, realising that he had some free time between the various wedding rituals, left the wedding feast to indulge his tastebuds at the nearby Taj Mahal Hotel or the case of the Srinath Housing Complex where, as per rumour, the kitchens remain closed on Sundays as it is a ritual for the families to have their Sunday meal at their favourite restaurant in the hotels, customer delight stories pepper the history of this venerable hotel chain.

The hotel was the brainchild of brothers B. Babu Rao and B. Sundar Rao, and their friend Anand Rao. Babu Rao, who had left home at the tender age of 12 to train as a cook, had been scouting for ways to fund a new venture. An opportunity presented itself in the form of Dr. T. M. A. Pai—the founder of Syndicate Bank—who was impressed by the honesty and work ethic of the young man and offered to fund his first venture. From then onwards, there was no looking back and the first Taj Mahal Hotel at SD Road opened its doors to customers in 1947. Initially, it operated only as a restaurant but soon transformed into a full-fledged hotel, differentiating itself from local competitors by the quality of its service, cleanliness, and elegance. Small details like serving customers tea and coffee in cups and saucers instead of the traditionally used glasses and tumblers set it apart and established its reputation for quality. The demand for its services grew and by 1960, the hotel expanded to become a chain of hotels with branches at Abids, Kothi and Narayanguda.

The owners believe that the simplicity and authenticity of the hotel are the reasons behind its long and successful run in the notoriously fickle hospitality industry. To date, the recipes have remained unchanged and have been passed only through word of mouth and training. The quality of raw materials is another aspect which is closely monitored. Spices are manufactured in-house, and the coffee that is served is an exclusive blend that is produced only for the hotel chain by a coffee planter in Davangere. In fact, The founders were such sticklers for quality that they suspended supply from milk vendors as they were thinning the milk and set up their own dairy and vegetable farm to ensure the purity of the ingredients. Because of the ensuing shortage of milk, the hotel started serving black coffee, which became such a favourite with the patrons that it found a permanent place on the menu.

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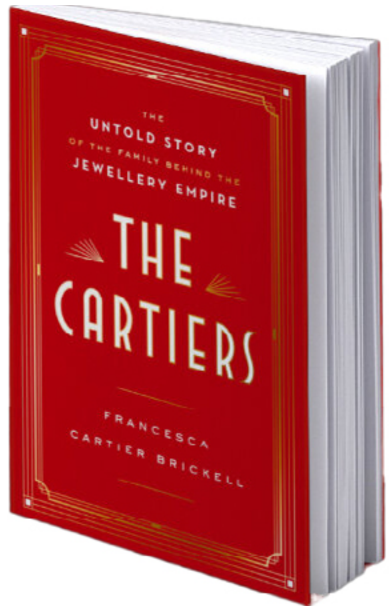
Given its popularity, expansion of the hotel chain would seem to be the logical next step for the family. However, an amicable split between the families of Babu Rao and Sundar Rao left only Babu Rao's two grandsons Praveen and Ashwath in the next generation to manage the family business. As the youngest custodians of the family legacy, they feel that any aggressive expansion plans would take away their focus from their current hotels, dilute their style of personalised hospitality and weaken the unique bond that the hotel shares with its customers and employees that lies at the heart of its success. Over 80% of its clients are third and fourth-generation customers, and a sizeable chunk of the kitchen staff comes from second-generation family members. Even though the hotels can count among its patrons many celebrities like President V. V. Giri, President Neelam Sanjiva Reddy, and Prime Minister P. V. Narasimha Rao, it still strives to be a place where an ordinary family can come to indulge in a bout of nostalgia, relive childhood memories or simply enjoy an outstanding vegetarian meal.

From the Bookshelf



The Cartiers
Francesca Cartier Brickell

The book honours the timeless heritage of the Cartier brand and the extraordinary visionaries who contributed to its success

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In "The Cartiers," Francesca Cartier Brickell provides a captivating account of one of the most renowned jewellery dynasties in the world. Two things set this book apart from similar books on famous business families. One, this is not just the story of a single business magnate or even a family business that spans one or two generations, rather it explores the Cartier family's involvement in the business over many generations. Two, the account is written from an insider's point of view, adding depth and authenticity to the narrative. The author has even included snippets of her conversations with her grandfather, a fourth-generation Cartier family member who had been involved in the business during its prime. The book also benefits from a treasure trove of letters exchanged between family members during the business's formative years.

Although the story primarily revolves around the Cartier family, the book also sheds light on the social and political milieu of the time when the business was established and eventually became a worldwide brand. The business was founded by Louis-Francois Cartier, who learned his craft as an apprentice to a professional jeweller and started a store in a fashionable district of Paris under his own name. It was not until the patronage of the then French emperor's cousin that the Cartier brand truly came into its own. Through collaborations with haute couture designers, strategic marriages into prominent families, and taking part in high-profile events such as the auction of French royal jewels within the Louvre and the Christmas Bazaar of the Russian Grand Duchess, the brand grew stronger over generations, eventually becoming a globally recognised and treasured brand. The book provides intriguing tidbits of information on some of the famous Cartier designs, such as the use of the panther motif in Cartiers jewels, the creation of the garland style of tiaras, the reason behind the creation of the 'Santos' and the famous 'Tank' watch, the designing of the Patiala Necklace, etc. Along with their legendary jewellery designs, the author also explores the fascinating connections between the Cartiers and their famous clients, such as Hollywood stars and members of royalty.

Cartier's creations are brought to life in this book through a stunning collection of several never-before-published photographs. The book is a must-read for anyone with an interest in jewellery or history, or in reading about the legacy of one of the most influential business families of the world. The book honours the timeless heritage of the Cartier brand and the extraordinary visionaries who contributed to its success. ●

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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 teaching, 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 exchange of insights and knowledge among diverse stakeholders.

Family Enterprise Quarterly Content Development Team: Nupur Pavan Bang, Moksh Garg, Sushma GNVS, Astha Mishra, Pallavi Mohan, Shivangi Mohan, Sunil Samuel Pew, Tajuddin Malik, Kavil Ramachandran and Sougata Ray.

For further information, please visit ***www.isb.edu/fambiz*** or contact Sushma GNVS at ***fambiz@isb.edu*** or +91 40 2318 7189

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ISB | Thomas Schmidheiny Centre for Family Enterprise

Registered Office & Hyderabad Campus:
Gachibowli,
Hyderabad - 500 111,
Telangana, India.
Ph: +91 40 2300 7000,
Fax: +91 40 2300 7099

Mohali Campus:
Knowledge City,
Sector 81, SAS Nagar,
Mohali - 140 306,
Punjab, India.
Ph: +91 172 459 0000
www.isb.edu

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