ISB | Thomas Schmidheiny Centre for Family Enterprise

VOL. 3 ● ISSUE 1
JANUARY-MARCH 2024

Family Enterprise *Quarterly*

C-Suite Wisdom
13 Moving forward with a **family business constitution in hand**

Women in Family Business
21 Empowering women in **family businesses**

Global Story
28 Conflicts in family business: **Looking back at the Dassler brothers' feud**

Editor's Desk

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

We are delighted to present the first issue of the Family Enterprise Quarterly for the year 2024. The entire team at the Thomas Schmidheiny Centre for Family Enterprise joins me in wishing you a happy new year with a prayer that the New Year brings you an abundance of joy, peace, and prosperity.

As we enter the third year of the publication of the FEQ, we add a new section, *Global Story*, which will offer insightful stories about family businesses worldwide. This edition features the compelling Dassler Brothers story, highlighting how family dynamics within a business can profoundly impact its stability and continuity. This story is complemented by an Indian *case* of "Ketan Logistics – Charting the Next Route" by Navneet Bhatnagar and Kavil Ramachandran that provides insights into family dynamics and the dilemmas faced by the next generation in choosing between familial traditions and personal ambitions.

In our *C-suite Wisdom* section, we are privileged to feature GM Rao, the sagacious Founder and the Group Chairman of the GMR Group, who shares valuable insights on the need for family businesses to move forward with a family constitution as a guide.

Cycle Agarbatti takes the spotlight as the *Vintage Regional Icon* for this issue. Originating as a minor cottage industry called the "Mysore Products and General Trading Company," it has evolved into the most preferred and trusted 'fragrance of prayer' for Indians. The success of Cycle Agarbatti is a testament to the determination and values displayed by its founder, N. Ranga Rao.

Speaking of determination, Annie Duke provides a unique perspective on the importance of knowing when to "quit" in her book "Quit," our featured selection in the *From the Bookshelf* section. In a dynamic world with constantly evolving information, Duke argues that the ability to quit is as crucial as the ability to persevere in achieving success.

We have George E. Ramapuram, the Principal Architect & MD of Earthitects in the *Thoughts from our Alumni* section, who talks about 'reverse urbanisation' or going back to nature being a key feature of his firm's design philosophy. In this issue we remember the multifaceted industry mogul Ashwin Dani, a pivotal figure who not only elevated Asian Paints to the top coatings brand in India but revolutionised the entire Indian coatings industry.

In the *Next-Gen* segment, Rishabh Mariwala, a second-generation entrepreneur, talks about his learning and growth in his professional journey from 'Marico' to 'Sharrp'. This issue also provides summaries of three research articles on the topics— *Conflict management in family businesses: A bibliometric analysis and systematic literature review* by Andrea Caputo, Giacomo Marzi, Massimiliano Matteo Pellegrini, Riccardo Rialti, *New value creation and family business sustainability: Identification of an intergenerational conflict resolution strategy* by Elia Ardyan, Timotius F.C.W. Sutrisno, Liestya Padmawidjaja and *Managing Family-Related Conflicts in Family Businesses: A Review and Research Agenda* by Hong Qiu and Mark Freel. Finally, the 'Do You Know' section highlights how outperforming family-owned businesses create value and how they become outperforming businesses in the first place.

Our commitment has always been towards curating articles, interviews, and research that brings substantial value to the family business community, which is led by multiple stakeholders. It is our sincere belief that you would derive immense intellectual satisfaction from reading this issue of the FEQ. We eagerly look forward to receiving your insightful feedback and continuing support.

Contents

Gen shift, professionalisation are rewriting the rules of succession planning at India Inc

India's major family-run businesses are experiencing a significant shift in succession planning. High-profile companies like Reliance Industries, Bisleri International, Mahindra & Mahindra, Kotak Mahindra Bank, and the Godrej Group are leading this change. They are increasingly focusing on separating ownership from management, involving professional boards in decision-making, and emphasising on the importance of succession planning. This trend marks a new era in the governance of Indian family businesses, where corporate governance and longevity are being prioritised. ●

(Source: The Secretariat, Jan 02, 2024)

Viewpoint by ThS_CFE@ISB

There is greater awareness and recognition of the importance of succession planning and governance at family businesses today. In the past, corporate boards used to be filled with family well-wishers. Today, that is changing with professional board members exerting pressure on the family towards succession planning.

Religare's Saluja, Baba Kalyani's sister or Singhania's ex-wife, the spotlight falls on women's corporate war

As more women assume leadership roles in India Inc., their prominence in corporate disputes is increasing. This change is evident from several high-profile cases involving women like Rashmi Saluja of Religare Enterprises and Sugandha Hiremath of Hikal. These conflicts, ranging from family disputes to boardroom battles, reflect the growing influence and assertiveness of women in the business world, challenging traditional norms and paving the way for greater gender parity in corporate governance. ●

(Source: The Economic Times, Nov 24, 2023)

Viewpoint by ThS_CFE@ISB

Women are no longer ornaments or silent spectators on the boards ... Also, in progressive boards, there are more supportive men who are playing an enabling role for women to assert themselves. Consequently, some of the conservative males are facing backlash. But things should, and will, progressively change for the better.

Nurturing diversity and women's leadership in family enterprises: A call to action

Women's roles in family enterprises are increasingly vital, with a focus on balancing professional and personal responsibilities. There is growing emphasis on developing robust support networks and fostering gender inclusivity for long-term success. Women are stepping out of traditional roles, becoming key decision-makers and significantly driving business innovation and resilience. This shift towards empowering women is seen as essential for the sustainability and prosperity of family businesses, representing a significant change in family business leadership dynamics. ●

(Source: The Economic Times, Dec 24, 2023)

Viewpoint by ThS_CFE@ISB

Balancing dual roles within the family and the business remains a pivotal concern for women leaders in family enterprises. Successful strategies encompass the delineation of clear boundaries, fostering open communication channels, and implementing flexible work structures. Recognising and actively addressing these challenges not only promotes women's leadership but also enhances the overall performance of family businesses by tapping into a broader talent pool.

Conflict management in family businesses:
A bibliometric analysis and systematic literature review

● Study by Andrea Caputo, Giacomo Marzi, Massimiliano Matteo Pellegrini, Riccardo Rialti

Family businesses often overlooks a critical aspect—managing conflicts—that has been the subject of significant research. A study conducted over three decades (1985-2015) identified three main categories of disputes that arise in family businesses: organisational conflicts, conflicts arising from firm growth, and conflicts arising from the complex interplay between family control and business performance. These findings are crucial for family businesses that must navigate their unique challenges. They provide a deeper understanding of the complexities of conflict management within the family business context. Failure to resolve conflicts can result in negative consequences, including poor communication, decreased innovation, and even family feuds that can ultimately lead to the business's downfall. Therefore, it is essential to recognise and address internal conflict dynamics to achieve successful strategic planning and business expansion in family firms.

Managing Conflicts in Generational Transitions

Generational transitions can pose unique challenges for family businesses, often resulting in conflicts that require careful management. Understanding and addressing these conflicts is essential to ensure a smooth succession and maintain business continuity. Specifically, during generational transitions, family businesses may encounter individual disputes that must be understood and managed to ensure the smooth transfer of management duties and for the company's ongoing success.

Growth and Conflict Resolution Alignment

Family businesses are unique because they often operate with family members as employees or co-owners. While these relationships can foster strong bonds of loyalty and trust, they can also lead to internal conflicts that hinder growth and success. To expand a family business successfully, it is critical to identify and address these conflicts. This involves understanding the root causes of the disputes and developing strategies to resolve them. By doing so, family businesses can create a more harmonious and productive work environment, resulting in greater success and longevity. It is essential to remember that a family business's growth can be heavily influenced by its internal conflict dynamics.

Balancing Family Control for Business Performance

Research has shown that family businesses perform better when they separate family and business roles, with a strong emphasis on professional management practices. At the same time, maintaining a sense of family identity and values can provide a unique competitive advantage to help such businesses thrive in the long term. Therefore, finding the right balance between these two factors is of utmost importance to ensure the sustainability of family businesses.

Practical implications:

- **Development of Conflict-Resilient Strategies:** Creating strategies resilient to internal conflicts, especially during leadership transitions, is vital for the long-term success of family businesses.
- **Prioritisation of Conflict Management in Planning:** Integrating effective conflict management tools into growth planning can significantly enhance a family firm's ability to adapt and expand sustainably.
- **The balance between Family and Professional Dynamics:** The research highlights the importance of balancing family control with professional management to optimise business performance and mitigate conflict. ●

Source:
International Journal of Conflict Management 2018, 29(4), 519-542, DOI:10.1108/IJCMA-02-2018-0027

New value creation and family business sustainability: Identification of an intergenerational conflict resolution strategy

Study by Elia Ardyan, Timotius F.C.W. Sutrisno, Liestya Padmawidjaja

Navigating the complexities of family business dynamics, the focus shifts to the crucial interplay between intergenerational relationships and conflict resolution. Employing the Thomas-Kilmann Conflict Mode Instrument, the analysis brings forth the nuanced roles of collaboration, accommodation, and assertiveness in these settings. The research highlights a critical insight: the effectiveness of conflict resolution strategies varies significantly in their capacity to spark new value and sustain business growth. It underscores the critical importance of selecting and applying the most suitable conflict resolution tactics, revealing their direct impact on the health and longevity of family enterprises. The exploration is a compelling guide for nurturing sustainable growth in family businesses through adept conflict management.

Intergenerational Collaboration

Collaboration between different generations is crucial for creating new value in family businesses. Open and effective communication and mutual respect between parents and children lead to innovative solutions and successful business strategies.

Intergenerational Accommodation

Fostering a family business is a challenging task that requires constant adaptation to changing market trends. One way to achieve this is by accommodating the ideas and suggestions of different generations. By doing so, businesses can benefit from the diverse perspectives and experiences of different age groups. This can create new values within the company, leading to innovative solutions and growth opportunities. Moreover, by involving the younger generation in decision-making, family businesses can ensure their legacy is continued and passed on to future generations. Ultimately, accommodating the ideas of different generations can help family businesses remain relevant and competitive in the long run.

Intergenerational Forcing

In certain situations, the assertiveness of one generation, usually of the elder one, can positively impact the creation of new values. For instance, the senior generation's experience, wisdom, and knowledge can be leveraged to guide and mentor the younger generation. This guidance can help the younger generation avoid common mistakes and find innovative solutions to complex problems. However, this approach must be balanced with a thorough understanding of the family dynamics and the values and aspirations of both generations.

Practical implications:

- **Enhanced Conflict Management:** Family businesses should prioritise developing robust conflict resolution strategies, mainly focusing on collaboration and accommodation, to navigate generational differences and foster business continuity.
- **Value Creation through Generational Input:** Actively incorporating ideas and suggestions from all generations within the family can lead to innovative value creation, which is essential for staying competitive and relevant.
- **Sustainability Focus:** To ensure long-term success, family businesses can align their strategies and operational practices with the goal of sustainability, adapting to new market demands and internal family changes.

Source:
Heliyon 2023, 9(5), DOI: https://doi.org/10.1016/j.heliyon.2023.e15634

Managing family-related conflicts in family businesses: A review and research agenda

● Study by Hong Qiu and Mark Freel

Exploring conflicts in family businesses presents a rich tapestry of interrelated challenges at the intersection of family dynamics, business operations, and ownership. Central to this discussion is identifying key conflict types: work-family balance issues, conflicts of interest, and interpersonal relationship strains. The study systematically evaluates four distinct conflict management strategies: vacillation, where decisions oscillate between opposing viewpoints; domination, emphasising authority-driven resolutions; separation, favouring compartmentalization of issues; and third-party intervention, bringing in external mediators. The paper integrates insights from broader conflict resolution theories, including paradox and dialectic frameworks, to better understand how these strategies can be effectively aligned with family-related conflicts.

Management Strategies

The four conflict mitigation strategies in the family business are vacillation, domination, separation, and third-party intervention. Vacillation refers to the tendency to avoid confronting conflicts, which can result in prolonged issues that may eventually escalate. Domination, however, involves using one's power and authority to control the situation, which can be effective but may also create resentment and resistance. Separation involves the physical or organisational division of the business or family members, which can provide a temporary solution but may not address the underlying issues. Finally, third-party intervention involves seeking the help of an external expert or mediator to resolve the conflict.

Innovative Conflict Resolution

In family businesses, conflicts can often arise due to various reasons, such as differences in opinions, priorities, or goals. To address and resolve these conflicts, family businesses should explore innovative strategies that offer fresh perspectives and facilitate better communication among all stakeholders. One approach is using corporate governance tools effectively, such as having clear policies and procedures for decision-making and conflict resolution. These tools can help family businesses manage conflicts in a structured and objective manner.

Systematic Conflict Escalation and De-escalation

The study highlights that conflict resolution is continuous, where mismanaged conflicts can lead to more complicated problems. On the other hand, well-managed conflicts can be de-escalated, resulting in improved communication, better relationships, and more intelligent business decisions.

Practical implications

- **Tailored Conflict Management:** Family businesses should tailor conflict management strategies by relying on their unique family dynamics, such as emotional attachments and relationships, ensuring more effective resolution.
- **Long-Term Perspective:** It's crucial to approach conflicts with a long-term perspective, addressing immediate issues and their potential future impacts on the family and business.
- **Embracing Complexity:** Recognising and embracing the complexity of family-related conflicts can lead to more creative and effective management strategies, contributing to the overall health and sustainability of the family business. ●

Source:
Family Business Review 2020, 33(1) 90–113, DOI: https://doi.org/10.1177/0894486519893223

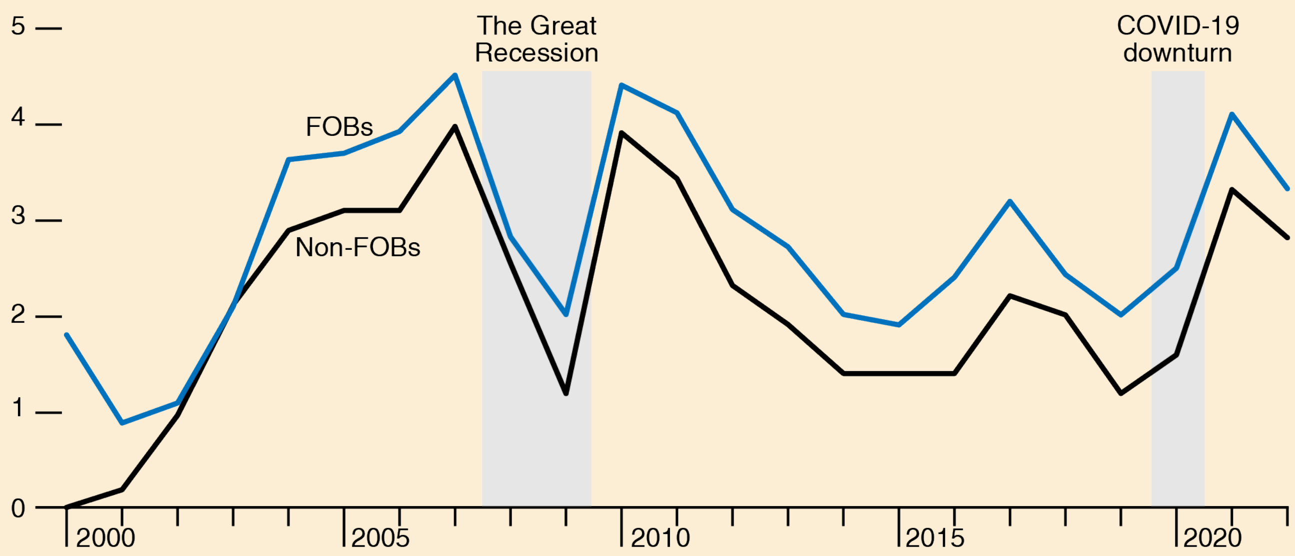
The secrets of outperforming family-owned businesses: How they create value — and how you can become one

In a world reeling from significant disruptions, the resilience of family-owned businesses (FOBs) has become increasingly evident. These businesses, typically led by founders or their descendants, showcase exceptional adaptability and endurance in the face of global challenges. FOBs distinguish themselves by delivering higher total shareholder returns (TSR) and demonstrating superior operational performance compared to non-family firms. This resilience becomes more pronounced as FOBs grow and adapt their value-creation strategies to evolving market conditions. Resilient FOBs excel by diversifying their portfolios, reallocating resources efficiently, and focusing intently on talent development and robust governance. A recent study conducted by McKinsey & Company analysed 600 publicly listed non-family firms and 600 FOBs worldwide. The study identified the areas where the highest-performing FOBs differed from their peers: their mindsets and strategic actions. The findings are enumerated in the latest 2023 article, *The Secrets of Outperforming Family-Owned Businesses: How They Create Value—and How You Can Become One*. Key takeaways from the article are:

1) Family Businesses Proven to Be More Resilient During Economic Downturns

FOBs consistently outperformed non-FOBs during major economic downturns like the Great Recession and COVID-19 induced slowdown. They maintained a higher financial spread, suggesting better resilience and adaptability in challenging times. Between 2017 and 2022, FOBs generated (on average) a financial spread that was 33 per cent higher than non-FOBs in the same period. This confirmed that FOBs navigated economic disruptions more effectively through their unique business approaches and long-term perspectives than their non-family-owned counterparts. (See Exhibit 1)

Exhibit 1: Average economic spread for family-owned businesses (FOBs) and non-FOBs

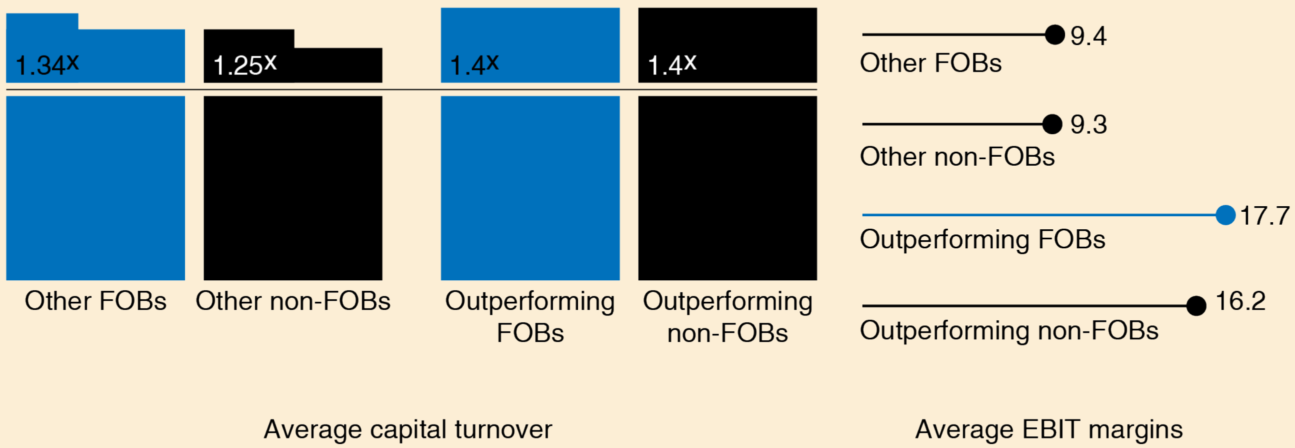


Source: McKinsey & Company (2023), The secrets of outperforming family-owned businesses: How they create value—and how you can become one

2) Outperforming Family Businesses Lead in Investment and Operational Efficiency

In terms of operational efficiency, measured by EBIT margins, outperforming FOBs (17.7%) significantly outperform their non-FOB counterparts (16.2%) and far exceed the performance of other FOBs (9.4%) and other non-FOBs (9.3%). Outperforming FOBs matched the capital efficiency of top non-FOBs, with both groups achieving a capital turnover ratio of 1.4, indicating equal prowess in using capital to generate revenue. In comparison, other FOBs and non-FOBs lagged, with lower ratios of 1.34 and 1.25 respectively, pointing to less effective capital utilisation. (See Exhibit 2)

Exhibit 2: Average capital turnover and EBIT margins, 2017–2022

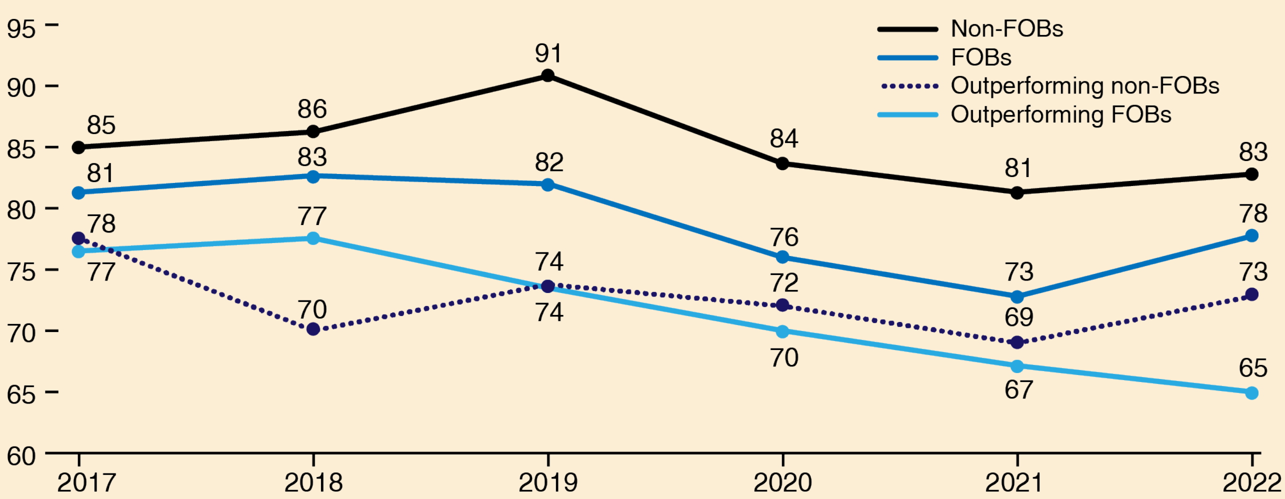


Source: McKinsey & Company (2023), The secrets of outperforming family-owned businesses: How they create value—and how you can become one

3) Prudent Financial Management: FOBs Exhibit Lower Leverage Ratios

FOBs have adopted a more conservative approach to debt. In 2022, while non-FOBs recorded an average leverage ratio of 83%, FOBs exhibited a lower ratio of 78%. Notably, outperforming FOBs demonstrated even more prudence, with a ratio of just 65%. This trend underscores the cautious financial management prevalent among FOBs. By prioritising stability and minimising risk, these businesses reflect a long-term vision and a focus on sustainability rather than pursuing aggressive growth. Financial conservatism is likely a significant factor in family business resilience and enduring success in various economic climates. (See Exhibit 3)

Exhibit 3: Average net debt-to-equity ratio, family-owned businesses (FOBs) and non-FOBs



Source: McKinsey & Company (2023), The secrets of outperforming family-owned businesses: How they create value—and how you can become one

Case Study

Ketan Logistics – **Charting the next route**

The absence of a cohesive strategic vision, slow pace of change and lack of governance mechanisms within the family business rankled the third-generation members of the family

While torrential rains created chaos on the streets of Mumbai, Rohit Gupta, the Strategy Head of the Western business unit of Ketan Logistics Limited (KLL), son of Ravi Gupta, the Chairman and MD of KLL, grappled with an internal storm. Growth was stagnant, industry margins were under pressure, and his professional growth prospects looked bleak. Meanwhile, a conversation with a friend had thrown up a tantalising prospect for Rohit's own entrepreneurial aspirations, forcing him to confront a challenging choice between familial traditions and personal ambitions.

Established in 1975 by Ketan Kumar Gupta and his sons Ravi and Vijay, KLL started as a modest commercial transportation firm. Within the next five years, Ketan Kumar's other two sons also joined the family business. The 1990s marked a turning point for the now-incorporated company with the acquisition of major clients like Maharashtra Iron and Steel Company and a Mumbai-based petroleum company. The subsequent decade witnessed significant growth, including the acquisition of licenses for container train operations and the company's registration as a Food Business Operator (FBO). By 2013-14, KLL had evolved into an integrated end-to-end logistics service provider with impressive financials, including a revenue of INR 18.41 billion, a net profit of INR 198 million, and total assets valued at INR 5.5 billion.

But the business operations had come under pressure recently. Large clients were driving consolidation within the industry to drive cost efficiencies and tackle service issues. There was also a demand for comprehensive logistics solutions, underpinned by robust IT and automation initiatives. Though KLL responded by implementing a major corporate-level quality improvement initiative, Rohit feared that the pace of adaptation within KLL lagged behind the rapid changes in the industry. He felt that the company's structure and policies posed significant obstacles to KLL's ability to stay competitive.

The company was helmed by Rohit's father, Ravi, who was the eldest amongst the four brothers. The business was divided into four zones—the Northern, Western, Southern and Eastern units and each brother was given independent management of his zone with some corporate-level responsibility. Despite personal closeness and trust in each other, the four brothers preferred to work in silos with each business unit (BU) maintaining its unique roadmap and working style. Variances among the BUs were common, where some emphasised sales volume others prioritised maintaining profit margins. This autonomous approach also extended to the lack of a clearly defined mechanism for assessing individual or unit performance. The Gupta brothers, sensitive to maintaining parity, adhered to equal compensation, shareholding, and control principles irrespective of individual contributions or worth.

The absence of a cohesive strategic vision, slow pace of change and lack of governance mechanisms within the family business rankled the third-generation members of the family. All seven third-generation members, except one, had joined the family business. They were bubbling with new business ideas, but felt their talents were being under-utilised within the company. New ventures were discouraged other than those identified by the senior members, and communication about business matters was restricted as each member was confined to their respective BU. The principle of compensation parity persisted into the next generation, leading to dissatisfaction among those who had contributed significantly more to the business's growth. In 2012, recognising the need for change, the family hired an external consultant to propose organisational improvements in KLL. However, the recommended organisational and governance mechanism changes remained on paper because of a lack of unanimity among family members.

Variances among the BUs were common, where some emphasised sales volume others prioritised maintaining profit margins. This autonomous approach also extended to the lack of a clearly defined mechanism for assessing individual or unit performance

Most third-generation members, equipped with formal business education, believed their talents could be more effectively and profitably utilised in their own entrepreneurial ventures. However, individual aspirations had to take a back seat, given the absence of a concept of individual wealth, with surplus funds being consistently reinvested into the business. But now that Rohit had a viable opportunity to start his own venture within the transport industry, he was faced with a dilemma. If he pursued his entrepreneurial dreams, he feared potential conflicts of interest and being labelled a deserter. He also worried about the possibility that his exit might trigger a next-generation talent exodus from the company. On the other hand, he also wondered that if he stayed back, would the second generation ever be receptive to recognising the need for change?

Conclusion

- Clarity and mutual agreement about the company's vision, strategies, governance mechanisms, professionalisation, rewards, and ownership patterns amongst and across all generations is vital for the health of the family business.
- Family business practitioners need to recognise the imperative for change and develop the ability to navigate the delicate balance between legacy and individual ambitions.

References

Bhatnagar, N., Ramachandran, K. (2011). Ketan Logistics – Charting the Next Route. Indian School of Business.

In Remembrance
Ashwin Dani

Ashwin Dani, the co-founder and non-executive director of the paint industry giant Asian Paints, once declared, "For 55 years, I have lived, breathed, and dreamt of paints." However, this billionaire luminary, a pivotal figure who revolutionised the Indian coatings industry, was not just a one-dimensional business mogul. He embodied a myriad of roles: a technocrat, a generous philanthropist, an enthusiastic art collector, and a yoga evangelist. In fact, when he constructed his home in Mumbai in 1998, his first act was to establish an Iyengar Yoga Centre on the first floor, providing subsidised classes that have positively impacted countless lives.

Born in a business family, Ashwin Dani was nurtured in an environment steeped in the rich tradition of business and entrepreneurship. His father, Suryakant Dani, alongside three other partners, laid the foundation for Asian Paints in 1942, originally known as The Asian Oil and Paints Co. After completing his Master's in Polymer Science at the University of Akron, USA, Ashwin started his career as a development chemist at Inmont Corp in Detroit. However, in 1968, he returned to India to assume a senior executive role within the family-owned business. In 1970, he was inducted onto the company's board, marking the beginning of an extraordinary journey that would ultimately transform Asian Paints into a global powerhouse.

Ashwin Dani recognised early on that innovation and cutting-edge technology were indispensable for long-term growth and market dominance. Asian Paints already had a history of being pioneers in technology adoption, as exemplified in the 1970s, when they spent a small fortune to acquire a supercomputer for operational efficiency—an unheard-of investment in those days. In his role

Source for photo: Google

as the Asian Paints' R&D director, he emphasised the value of research, and under his leadership, the company broke new ground by introducing computerised colour matching to the Indian paint industry in 1975, an unprecedented achievement in Asia. He is also credited with launching plastic packaging for paints and a product called Apcolite, a transparent wood coating—a concept inspired by a challenge from a friend who had asked him, "Ashwin bhai, I like a lot of ice in my drink, but my moist glass ruins the French polish on my table. Can you find a solution?." As noted by M.M. Sharma, a Fellow of the Royal Society in London and a prominent scientist in the field of chemical engineering, "…His (Dani's) antennae are always up, picking up new things."

The period from 1995 to 1998 was a tumultuous chapter in Ashwin Dani's life. He underwent a bypass surgery, witnessed the separation of his oldest business partner from the company, battled a major plant fire, and faced a hostile takeover attempt by ICI Ltd. It was also during this time that he assumed the role of Vice Chairman and Managing Director of the company. Not only did he thwart the takeover bid, but he also led the deal that resulted in a 50:50 joint venture between Asian Paints and PPG Industries, the world's leading automotive coatings manufacturer, displaying his forward-thinking spirit.

When Ashwin Dani first entered the industry, Asian Paints was the lone Indian company among the top seven paint companies operating in India, with all other companies being British. It is a testament to his visionary leadership that Asian Paints not only expanded its global operations to become the largest paint company in India but also the third largest in Asia and the ninth largest in the world, selling its products in over 60 countries. This expansion not only marked the company's global reach but also underscored Ashwin Dani's ability to adapt to diverse markets and cultures. After dedicating four decades to the company, he stepped down from the position of Managing Director in 2009 and assumed the roles of non-executive director and vice-chairman in the company.

Ashwin Dani's legacy transcends mere financial figures and market share. He was not just a shrewd businessman but also a philanthropist who generously supported various social and charitable causes, including education, healthcare, and environmental sustainability. Long before sustainable practices became a corporate trend, he championed the development of low-VOC (volatile organic compound) paints. His dedication to corporate social responsibility set a remarkable example, reflecting his commitment to giving back to the community. His death leaves an irreplaceable void in the industry, as aptly put by Bharat Puri, MD of Pidilite Industries, who hailed him as the last of the Asian Paints titans who were architects of the continued growth and innovation at the company. He is survived by his wife Ina and their three sons, Jalaj, Hasit, and Malav, with Malav currently serving as a non-executive director in Asian Paints. ●

Ashwin Dani's legacy transcends mere financial figures and market share. He was not just a shrewd businessman but also a philanthropist who generously supported various social and charitable causes, including education, healthcare, and environmental sustainability

References

1 Remembering Ashwin Dani: A Legacy of Leadership and Innovation at Asian Paints. (2023, September 30). investingwithjainsahab.com. https://investingwithjainsahab.com/celebrating-the-life-of-ashwin-dani-lessons-in-leadership-and-innovation/

2 Advani, B. P. S. S. (2007, August 24). Ashwin Dani: Full circle. Mint. https://www.livemint.com/Leisure/Km6opCCbKK1EcFQO9P4PeO/Ashwin-Dani-Full-circle.html

3 Ashwin Dani: The man for all seasons at Asian Paints. (2023, September 28). Moneycontrol. https://www.moneycontrol.com/news/opinion/ashwin-dani-the-man-for-all-seasons-at-asian-paints-11446941.html

4 Haraito, G. (2023, September 29). Indian Paints Billionaire Ashwin Dani Dies At 80. Forbes. https://www.forbes.com/sites/gloriaharaito/2023/09/29/indian-paints-billionaire-ashwin-dani-dies-at-80/?sh=66f523bf68be

5 Iyengar, B. S. P. (2023, September 28). Doyen of paint industry, Ashwin Dani passes away. BusinessLine. https://www.thehindubusinessline.com/news/doyen-of-paint-industry-ashwin-dani-passes-away/article67356899.ece

6 Kaur, G., & Kaur, G. (2023, September 29). In Memoriam: Visionary Leader Ashwin Dani, Driving Asian Paints to Unprecedented Success. Inventiva. https://www.inventiva.co.in/trends/ashwin-dani-asian-paints/

7 Maloo, M. (2023, September 29). Ashwin Dani - The life and legacy of the man behind Asian Paints' success. cnbctv18.com. https://www.cnbctv18.com/business/companies/ashwin-dani-the-life-and-legacy-of-the-man-behind-asian-paints-success-17905871.htm

8 TNN. (2023, September 29). Asian Paints co-founder Dani passes away at 81. The Times of India. http://timesofindia.indiatimes.com/articleshow/104029866.cms?from=mdr&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

G M Rao,
Founder-Chairman,
GMR Group

Moving forward with a **family business constitution in hand**

GM Rao, a Mechanical Engineer from Andhra University, is the Founder-Chairman of the GMR Group, a global infrastructure developer and operator. Over the last 4 decades, he has successfully established the GMR Group, a leading global infrastructure conglomerate with unparalleled expertise in designing, building and operating Airports. The Group also has significant presence in areas of Energy, Transportation and Urban Infrastructure. While business grew rapidly, he laid emphasis on building the Group as an institution in perpetuity.

Over three decades ago, he established the GMR Varalakshmi Foundation, the CSR arm of the Group, that actively works in areas of education, healthcare, livelihood, and community development in over 20 locations across the country, impacting millions of lives every year.

Please provide an overview of your family constitution; what are the key principles and how has it been instrumental in maintaining family unity and continuity in the business?

Our GMR family constitution is a set of documented principles that guide decision-making, family involvement in the business, succession planning, family involvement in philanthropy, conflict management, etc. It is an essential document for any family and its business, for them to thrive from one generation to the other seamlessly and without any need to resort to legal recourse.

The document is an outcome of the active participation and collaborative effort of all the family members, and is based on decisions/discussions undertaken through 'fair process'. It is simplistically described in 3Es—Engagement, Explanation and Expectation Clarity—all three of which are essential for fostering trust and harmony. To elaborate on these three -

- Engagement means valuing every voice by actively seeking inputs from all individuals affected by a business's decisions, allowing them to express their point of view and contribute their perspectives.
- Explanation is important because transparency builds trust. It means to clearly articulate the rationale behind decisions, enabling family members to understand the underlying reasoning, even if their preferred options are not adopted.
- Expectation clarity means to align and communicate expectations to minimise ambiguity/uncertainty,

which can result in friction and disputes.

My decision to have a family constitution for the family at the stage, when both business and family were growing (in terms of new branches getting added to the G1), helped me in aligning the new members who joined the family with the existing members of the family. I involved the new members in the finalisation of the family constitution and gave them an opportunity to be a part of the entire exercise. This made them and all other family members get involved in the growth path and extend support in order to run both the family and business smoothly.

What motivated you to establish a family constitution? How has it evolved over the years to meet the changing needs of your family and business?

Over two decades ago, I attended a CII Family Business Conclave with Mr MV Subbiah (Patriarch of Murugappa Group) and Professor John Ward (Family Business Expert). It was eye-opening for me to learn how European families have managed businesses spanning across generations and have established highly successful multinational companies. I discovered that having sound family governance and a family constitution is one of the key ways to make this happen. Even though Indians have tremendous entrepreneurship, we are not able to create lasting multi-generational MNCs. That's when I decided to adopt what the Western world companies have done.

Our GMR Group's vision is to be an institution in perpetuity that will build entrepreneurial organisations that will make a difference to society through the creation of value. To enable our group's vision, the family constitution plays a vital role.

In my family, it is incidental that the growth in business and G2 Members joining the businesses, their marriages and eventually spouses joining the family happened at the same time and parallelly. So firstly, businesses were undergoing tremendous changes with the addition of new lines of businesses like airport construction, SEZs, sports, etc., and the expansion of existing businesses through additional projects in power and transportation. We also entered the overseas markets and took up projects in Istanbul, Maldives, Singapore, Indonesia, etc. Secondly, on the family side, my sons joined the business a few years before the growth started, but they got involved fully in the business. I used to handhold them at that time. A couple of years after that, their marriages took place and their spouses joined the family. Thirdly, we also went public and mobilised funds through an IPO.

We were able to successfully complete all the projects taken up without any exception and delivered world-class projects like the Delhi

International Airport, Hyderabad International Airport, Goa International Airport, etc. We also focused on integrating new members who had joined the family with the rest of the family, aligning the thoughts of all members towards a common goal of business growth and creating a world-class organisation focused on creating value in society.

We could achieve this by having in place a family constitution comprising the family philosophy, ideology, values, policies, principles, rules of conduct, and various other aspects of the family. We have also addressed the issues related to the businesses we manage and how family members have to work in the businesses as entrepreneurs and professionals to draw a thin line between the family and the business.

We would like to add that the family constitution is not a static document; it is very dynamic. The needs of the family change from time to time, particularly when the family grows from G1 and G2 to the next generations, with the addition of G3 children to the family and the spouses of G3 also joining the family. In addition, changes in the external environment also force us to update/upgrade the document. Hence, whenever there is a need, the family modifies the contents of the document. Presently, we are in the process of revising the document to suit present-day requirements.

Could you please share some examples of specific provisions or mechanisms within the family constitution that address issues like succession planning, conflict resolution, or decision-making processes?

For something like decision-making, we try to regularly conduct meetings of the various Family Forums, as has been decided in the family constitution. The dates of the members are blocked well in advance and the meetings are calendered. We have a SOP for conducting the meetings in place. Agenda points are circulated well in advance so that members can participate and contribute effectively in the meetings. We always strive to get the consensus of all the family members or relevant members of the forum for all decisional aspects.

When it comes to conflict resolution, our motto is to avoid conflicts and thereby avoid disputes. This is possible through continuous interaction and a good communication system between family members. Conducting family meetings regularly, giving opportunity for everyone to speak/express their view, patiently listening to others, appreciating achievements, organising family retreats, etc., are some ways in which conflicts can be avoided. In my opinion, conflicts arise when a member/members are not given the opportunity to express their views or if they feel they have not been consulted or informed of any issue and decision taken in their absence.

Our GMR Group's vision is to be an institution in perpetuity that will build entrepreneurial organisations that will make a difference to society through the creation of value. To enable our group's vision, the family constitution plays a vital role

In managing and resolving differences, the constitution articulates the most important principles. It says that family members will make every effort to discuss their issues face-to-face, attend to the differences quickly, respect the differences and aim for a win-win solution. In case of an issue that results in a dispute/deadlock, we follow a step-by-step process to resolve, which involves:

a. Pausing the discussion on the issue for some time;
b. Meeting and deliberating the issue again by the members in disagreement at a later date;
c. In case there is no consensus, then the appointment of an advisor by the Family Council to advise the disagreeing members and to assist them in analysing the issue and coming to a consensus;
d. If the disagreement persists, then the appointment of a mediator by the Family Council, someone who is capable of bringing consensus among the disagreeing members. The mediator will ascertain the opinions of all the disagreeing members and inform the Chairman of the Family Council about the points/reasons for disagreement;
e. Based on the inputs received from the mediator, the Family Council chairperson will decide on the issue, in consultation will all the members of the Family Council.

We don't resort to the process of arbitration, as that is a legal recourse, and our family has never intended to resort to this process.

In my opinion, succession planning is a continuous exercise for most organisations. Generally, when we talk about succession, we feel it is needed only for the head of the organisation i.e. the Chairman but succession planning is also required for the positions of Heads of Business verticals, like MDs, CEOs, CFOs, COOs, CTOs, etc. While organisations might be able to find professionals for such positions through external agencies, it is very difficult to get such professionals to think and act like promoters. Hence, when we talk about succession in a family business, it is largely about succession to the Head of Family Businesses i.e., the Chairman or the Group Chairman, who will be able to drive and take forward the organisation, businesses and the family, in the same way as the patriarch/matriarch has been doing ever since he/she started the family business. The incumbent family member in such a position should be able to continue and take forward the ideology and objectives of the patriarch/matriarch and pass it on to the next generations.

Further, while a Head of Business can be any working member of the family who has the capability to take over the wheels, the Head of the Family shall be the next senior member of the family by age. Hence, families must spend time and effort to identify the successor who will be the next Head of Business.

There are several methods available to identify the right successor. From among the available methods, we adopted a process in which all the working members of the family will participate in the succession process to identify the next Head of Business. Members, with the help of family advisors, deliberate upon the issue based on various parameters to identify the traits that are required and that exist in the family member to be chosen. They continue the dialogue until they reach a consensus. The succession issue is first initiated and discussed in the Family Business Forum or FBF (Forum of Working Members of the Family) and the FBF Chairperson will take it to the Family Council to give an update to the members and get their consent.

How do you ensure that the values and vision of the family are aligned with the long-term goals of the GMR Group? What role does the family constitution play in this alignment?

Our family constitution clearly articulates our family's core values and the values of the business, which are interrelated.

These sets of values serve as guiding principles for developing a strong value system for the organisation and the family and also, act as guiding principles for all decision-making elements for the family and the business.

Conducting family meetings regularly, giving opportunity for everyone to speak/express their view, patiently listening to others, appreciating achievements, organising family retreats, etc., are some ways in which conflicts can be avoided

GMR Group's seven values and beliefs include:

1. Humility: We value intellectual modesty and detest false pride and arrogance.
2. Entrepreneurship: We seek opportunities; they are everywhere.
3. Teamwork and Respect for Individuals: We believe in nurturing relationships of trust, collaboration, and mutual respect.
4. Deliver the Promise: We value a deep sense of responsibility and self-discipline, to meet and surpass commitments made
5. Learning and Inner Excellence: We cherish the lifelong commitment to deepen our self-awareness, explore, experiment and improve our potential.
6. Social Responsibility: We encourage our members to anticipate and meet relevant and emerging needs of society.
7. Financial Prudence – Frugality: We spend wisely and judiciously.

Our family values include:

1. Health and well-being: We value our physical, mental, and spiritual health. We maintain a healthy work/life balance and work continuously to create a balance of time between self, family, business, society, and spirituality in order to enjoy life fully.
2. Trust and faith: We have mutual trust and respect as a family and support each other through life's challenges.
3. Humility: We park our egos; our approach is to be kind, loving, modest, and respectful towards each other.
4. Entrepreneurship: We seek opportunities; they are everywhere.
5. Financial prudence: We budget, spend, and save prudently as individuals and as a family.
6. Celebrating differences: We celebrate differences by appreciating the unique perspectives, talents, and interests of each family member.

In fact, the values and the value system adopted and followed by the family members will have a far-reaching impact on the way businesses are managed and the teams are developed to manage the businesses. Among the various values adopted, humility is the foremost value of the family and the businesses, which brings in the culture of humility in the family members and the teams working in the businesses. The value of humility, along with other values, helped in achieving the group vision to set up a world-class and perpetual organisation that made a difference to the society, by creating value for the society and the country. Family members, through the family constitution, imbibe, follow and adopt these values in their true spirit and work towards achieving the business vision.

Family members involved in the business are actively involved in the Family Council and other family governance processes. This ensures an alignment of values with the business strategy and goals. Further, the family values are communicated/reinforced regularly. The family regularly reviews the alignment of family values and business goals. Our family values and corporate values are the bedrock to meet our family and corporate vision. We believe that if you have good family governance, only then will you have good corporate governance.

Family governance often involves formal structures and regular meetings. Could you please describe the governance structure within your family, including roles, responsibilities, and the frequency of family meetings?

GMR's family governance framework comprises well-defined forums that promote transparency, accountability, and informed decision-making. Besides forums for decision-making, there are separate forums, known as Relationship Forums, that serve to build and enrich interpersonal relationships among family members. Each forum serves to fulfil specific objectives of family governance depending upon the different roles that the family members serve within the three dimensions of family, business, and ownership.

Some of the family forums that we have are:

1. Family Council, which serves to discuss family-related matters and sets family policies.

In my opinion, succession planning is a continuous exercise for most organisations. Generally, when we talk about succession, we feel it is needed only for the head of the organisation i.e. the Chairman but succession planning is also required for the positions of Heads of Business verticals, like MDs, CEOs, CFOs, COOs, CTOs, etc.

---

2. Owner's Council, which makes decisions on economic matters for the family.
3. Family Business Forum, which enables family members working in the business to discuss business-related issues.
4. Non-Family Business Forum, which facilitates communication and maintains bonding among all family members not working in the business.

The family also gets together every year for an annual retreat, which serves to strengthen family bonds and enrich the relationships amongst all family members.

What strategies or practices have you found most effective in nurturing the next generation's involvement and preparedness to take on leadership roles within the business and the family?

In our family, the next-gen has the freedom to pursue any career of their choice: those who choose to work outside the business will be treated equally to those who work with the business. That said, the family recognises the need to ensure a continuity of entrepreneurial spirit and is therefore committed to providing opportunities for next-gen family members to develop their entrepreneurial talents and pursue entrepreneurial initiatives.

A few things that we are practising in our family to nurture the next generation are to go on vacations with them to spend quality time and share stories/narratives about our family business. While they pursue their higher education, we encourage next-gen members to visit the projects during their vacation/holidays, get an overview of the businesses and make presentations about the visit and their learnings. After they have attained the age of 18 years, we involve them by making them observers in the Family Council and Family Business Forum meetings. During their graduation, we try to send them to visit a few important business places and interact with entrepreneurs to develop their entrepreneurship spirit. We also encourage them to interact with our foundation team and visit the various places where the Foundation is implementing the CSR projects and to understand how our business supports corporate social responsibility (CSR) for inclusive growth. We also involve them with our technology, innovation and other technical teams to help them learn about new initiatives and gain special skills.

In addition to the above efforts, the patriarch works with the respective family unit to ensure that their children are given a proper education and that the children are progressing in the right direction to take up a specific role in the organisation. Experts and professionals also review their progress periodically and give feedback to the patriarch and the parents of the respective family unit.

The family members encourage and motivate the next gen to join the businesses, as the Group has set up several business verticals and new verticals are constantly getting added. Fortunately, the first members of next-gen have joined the Group businesses and we hope others will follow them.

Maintaining family harmony is a key aspect of family governance. How do you address potential conflicts or differences of opinion within the family and ensure that they don't negatively impact the business?

Family harmony is of paramount importance to all of us in our dealings with each other. Whether in relation to family or business matters, we make every effort to reach an agreement by consensus and strive to resolve our differences amicably. We have clearly defined guidelines and processes for decision-making for business and family. If some family members have a different opinion, we either defer that decision or address his/her concerns, but we try to respect everyone's views.

The process of communication and dialogue is important to ensure that the differences don't reach the conflict stage. Family members are encouraged to speak to each other directly and resolve their issues. In fact, family members are trained on how to manage differences and are constantly upgrading themselves. In family businesses, differences will always be there; one of our values is to celebrate the differences!

> *I would say that if a founder can adapt himself based on the business requirements, then he is a lifeline for the business, otherwise he becomes a bottleneck for the growth of the organisation. It is very important for the founder to continuously embrace the change*

For those who are not involved in the business, we have set up a separate forum—the Non-Business Family Forum. Our business teams make presentations in this forum to regularly apprise them of significant business developments, strategies, and challenges.

Our motto is to avoid reaching the stage of 'differences' and hence there is no chance for any dispute or deadlock. In case any difference of opinion arises, we have laid down a clear procedure to resolve the differences. We work towards unanimity in the decisions we take and we have been successful in this direction.

Can you share any advice or lessons learned from your experience with family governance that might be valuable for other family-owned businesses considering similar initiatives?

I would say that if a founder can adapt himself based on the business requirements, then he is a lifeline for the business, otherwise he becomes a bottleneck for the growth of the organisation. It is very important for the founder to continuously embrace the change. It is important to have humility, which is fundamental in order to listen to and respect other people. It is also essential to not be judgmental; feel proud of the business that your founder created and always strive to protect and nurture it.

It is best to avoid triangular communication and to adopt constructive communication instead. For instance, sometimes in a family business set-up if the founder (father) wants to give feedback to the Marketing Director (his son) about a marketing campaign, instead of discussing it directly with him, he shares it with the HR Head (his daughter), who then relays the feedback to the son, potentially adding her own interpretations or opinions. This form of triangular communication can breed distrust and resentment, which can be disastrous for relationships.

Most importantly, I would recommend family businesses to establish effective family governance mechanisms. If you have good family governance, only then you will have good corporate governance. A family that commits to collectively live the family constitution and the governance principles creates long-lasting value. ●

Thoughts from Alumni

George E. Ramapuram,
Principal Architect & MD,
Earthitects

An architect 'at one' with nature

Firstly, the focus on change management and gaining buy-in from various family members for new ideas has been personally invaluable. Secondly, the concept of not all family members pursuing the same roles but rather creating new opportunities has been a crucial takeaway

George E. Ramapuram is the Principal Architect & MD of Earthitects and is a pioneer in 'reverse urbanisation' or going back to nature. Inspired by the abundance of nature between his family home at Coorg and his alma mater—The Lawrence School, Lovedale—George envisioned Earthitects as an architectural practice that reimagines the experience of everyday living by allying with Mother Earth in designing and creating dwellings that are in harmony with oneself and the natural environment. He was an integral part in the process of envisioning the award-winning Evolve Back resorts. He also envisioned and brought to life the award-winning Earthitects Private Residences and is coming up with a new project with a unique concept Earthitects Managed Plantation.

George has recently been acknowledged in the Forbes India: 30 under 45 for his work. Some key publications and felicitations include the feature of Stone Lodges at Wayanad in Architectural Digest, Travel and Leisure India, Elle Décor, Stir World, Beautiful Homes, Architecture + Design, India Today Home, Platform Magazine, Trends magazine, Good Homes, the Hindu, Deccan Herald and many more. Shortlisted in the Surface Design Awards 2022, George is a winner of the prestigious Grohe – Architectural Digest Bath and Space Awards in 2021.

The House of Ramapuram has a rich history that spans over a century, with contributions to various industries and a commitment to values and patriotism. Could you share how the family has managed to pass down these values from one to the next generation?

The transmission of our family values has been a continuous process, involving ongoing discussions and a dedicated effort to instill these principles in the younger generation. It's not just about business; it extends to our daily lives as well. We believe in nurturing a strong foundation that reflects our commitment to both our heritage and the broader principles of integrity and patriotism.

As the fourth generation member of the House of Ramapuram, what are some of the unique challenges you've faced in contributing to and preserving the family's legacy while also adapting to modern business dynamics and changing market trends?

One of the major challenges we confront is the perpetual evolution of the marketplace. Staying relevant in this ever-changing business environment necessitates swift adaptation. The very pace of change presents a challenge, and aligning everyone with our vision can be a time-consuming endeavour. With the increasing number of stakeholders involved, winning over each party becomes more intricate, making the task of convincing a diverse set of stakeholders a critical aspect of our strategy.

Recognising the constant market changes, we observed a pivotal moment when we introduced the concept of Earthitects Private Residences in Wayanad. Pioneering the concept of 'reverse urbanisation' and providing homes away from the city, we realised homeowners weren't using the residences on an everyday basis; it was more of a vacation home for them. In response, we introduced the innovative concept of Earthitects Holiday Experiences in Wayanad and eventually conceptualised the same idea at Earthitects, Coorg. This adaptive approach underscores our commitment to evolving with market needs while preserving the essence of our family's legacy.

Family harmony is often a critical factor in the success and continuity of family businesses. How does your family maintain harmony among the next-generation members while working together in various business ventures?

We've established a family constitution that serves as a comprehensive guide for our behaviour and how we should navigate our collective journey. This constitution has proven instrumental in instilling a shared understanding among the next generation, ensuring continuity in our approach, and fostering harmony within the family as we engage in diverse business ventures.

With your family's businesses spanning multiple sectors, including plantations, hospitality, and consumer products, how do you maintain a sense of unity and a shared vision while managing diverse business interests?

It's a well-structured process. We have boards of directors for business under our umbrella, and alongside that, there's a family business board that oversees the group as a whole. Before any idea moves forward, it goes through the family board for approval. Once endorsed, the individual business boards are informed, ensuring alignment with our shared vision as we progress in managing our diverse business interests. This coordinated process ensures decisions align with our shared vision, promoting unity across the diverse sectors in which we operate.

> ***Staying relevant in this ever-changing business environment necessitates swift adaptation. The very pace of change presents a challenge, and aligning everyone with our vision can be a time-consuming endeavour***

In a rapidly changing business landscape, what strategies or practices do you believe have been crucial in ensuring the continued success and growth of the House of Ramapuram's enterprises?

The key to our continued success lies in our ability to adapt to the ever-changing business landscape. Each business unit operates at the forefront of its respective industry, staying closely connected with the dynamic marketplace. The commitment to constant evolution is fundamental; it's the only way to stay successful in the face of ongoing changes and challenges.

You completed your Masters in Family Business Administration from the Indian School of Business. What are some key learnings and insights you gained from the program that have been particularly valuable in your role within the family business?

The program has been instrumental in shaping my approach, especially in two key areas. Firstly, the focus on change management and gaining buy-in from various family members for new ideas has been personally invaluable. Secondly, the concept of not all family members pursuing the same roles but rather creating new opportunities has been a crucial takeaway. Understanding and appreciating that each family member brings unique strengths—whether in family matters, business acumen, or entrepreneurial skills—is vital. It's about recognising and supporting individual strengths within the family unit, a principle I've found to be pivotal in my role since completing the Management of Family Business program. ●

Empowering women in **family businesses**

> *Family, spouse, and social networks play a pivotal role in fostering active involvement of women in family businesses. The families need to evolve to provide an environment where navigating dual roles of being a homemaker as well as a business leader for both genders*

The Thomas Schmidheiny Centre for Family Enterprise at the Indian School of Business (ISB) hosted a dynamic and insightful roundtable discussion on "Women in Family Business: Empowering and Enabling Women to unlock their Leadership Potential" on November 25, 2023. Dean Madan Pillutla welcomed the eminent scholars, industry experts, and other participants and emphasised on the importance of the topic.

Pratima Kirloskar, Vanitha Datla, Srividya Reddy, Rishabh Shroff, Aarti Gupta, Priti Rathi Gupta, Sujatha Cecilia, Kavil Ramachandran, Sougata Ray, and Nupur Pavan Bang discussed diverse topics, ranging from multigenerational experiences of women, factors enabling or hindering the active involvement of women in family businesses, gender-inclusive family dynamics, and effective women leadership in the family business context. The roundtable also provided a collaborative platform for attendees to engage with industry leaders, fostering a vibrant exchange of ideas and experiences.

Key highlights that emerged from the roundtable were:

Gender equity is not a choice. It is inevitable: The movement to achieve gender equity has begun. Progress is already happening in different spheres, globally, as well as in India. To expedite this progress, strategic interventions in education, workplace policies, and cultural narratives must be implemented with precision, urgency, and in a way that is less painful for individuals, families, and businesses.

Gender inclusive families are a pre-requisite for gender equity: Family, spouse, and social networks play a pivotal role in fostering active involvement of

women in family businesses. The families need to evolve to provide an environment where navigating dual roles of being a homemaker as well as a business leader for both genders. Diversity and inclusivity in business must be preceded by the same at the family level.

Gender neutral sharing of responsibilities: Traditionally, burden of multiplicity of roles has fallen on the women, even though most roles are gender agnostic. Efficient and equitable family functioning necessitates the harmonious, collaborative, and collective sharing of responsibilities, encompassing caregiving, risk-taking, and providing for the family. Balancing these roles ensures a more inclusive and resilient family dynamic, fostering mutual support and shared accountability. However, right kind of institutional and infrastructural ecosystem is required to provide support for all to play multiplicity of roles. Only family support will not be adequate.

Role models and champions are important: Women who have triumphed against adversity serve as role models and inspirational guides, while male advocates

actively championing equity contribute to dismantling entrenched gender norms. Their combined influence fosters a more inclusive environment conducive to the advancement of women in diverse spheres. Many of the younger-generation members are taking the lead in promoting gender neutrality and becoming the catalysts for change in their families.

Equal opportunities in skilling and mentorship: Ensure equitable access for both genders to skill development and mentorship, facilitating the acquisition of capabilities essential for success. While offering equal opportunities, respect individual choices by allowing individuals to pursue their desired paths. Having strong family governance mechanisms enhances the effectiveness of the pursuit of gender equity.

The roundtable underscored that empowering women transcends a mere commitment to equity; it stands as a strategic investment aimed at nurturing resilience and securing the enduring sustainability of both the business and the family legacy. This endeavor calls for a collaborative team effort where women assertively demand change, and men fervently champion it. May the prevailing spirit of collaboration and complementarity emerge victorious, paving the way for a more inclusive and prosperous future. ●

Many of the younger-generation members are taking the lead in promoting gender neutrality and becoming the catalysts for change in their families

Rishabh Mariwala,
Managing Partner, Sharrp Ventures/
Director, Marico Limited & Kaya Limited

From 'Marico' to 'Sharrp' – **A journey of learning**

Rishabh Mariwala is a second-generation family business entrepreneur. He is a graduate of the Zarb School of Business, Hofstra University, New York, USA. In 2010, he became an entrepreneur, when along with his mother, he launched a new business line called "Soap Opera" to cater to the masstige and luxury consumer segment. He launched his own clean beauty label called "PureSense" in 2016. While working on PureSense, Rishabh founded Sharrp Ventures—the Mariwala Family Office—and presently, he heads the same. Sharrp invests in venture capital, private equity, and public markets. It is an active investor in 28 early-stage venture and has invested in 15 venture capital and private equity funds. Rishabh won the ET 40 under 40 in 2021. Rishabh is on the board of Marico Ltd, an FMCG consumer goods business and Kaya Skin Clinic, a cosmetic dermatology chain.

What prompted the establishment of Sharrp Ventures, and how does it align with the overall strategy of managing family wealth and business?

Sharrp Ventures emerged from two pivotal moments in our family journey. First, an investment in a venture capital fund in 2010 led me to investor events, where I connected with entrepreneurs like myself and demystified the venture capital asset class. This exposure ignited my appreciation for investing in startups, allowing me to be part of their journey.

Second, we recognised that there was a crucial need for diversification. Our family wealth was heavily concentrated in one stock, Marico. My father, being a true entrepreneur, always believed the best ROI would be from Marico itself. I was able to convince him to 'not put all eggs in one basket' and diversify. As a result, we entered public market investing, believing in equities as an asset class. The success of Marico's listing in 1996 reinforced our confidence in public markets. This, then, expanded to investing in young unlisted companies, where some early success has further bolstered our confidence in our approach.

Sharrp Ventures aligns seamlessly with our family's strategy of compounding wealth while diversifying from Marico, by leveraging the competencies of those managing various asset classes. The current allocation of 60% in listed equities and 40% in unlisted venture capital reflects our commitment to a balanced and strategic approach. Furthermore, our unlisted portfolio gives us a ringside view of the latest innovation in the FMCG sector.

> ***Our family wealth management and investment decisions hinge on three key factors: risk, return, and competency. We collectively align on these criteria and establish guardrails that guide both my team and others within the family framework***

differentiated vantage point at Sharrp.

What criteria guide your family wealth management and investment decisions?

Our family wealth management and investment decisions hinge on three key factors: risk, return, and competency. We collectively align on these criteria and establish guardrails that guide both my team and others within the family framework. For example, in the unlisted space, my focus is on pre-series A investments and any deviation from this mandate is brought up in monthly operating reviews for collective decision-making.

We look to maximise long-term returns at Sharrp and have a high degree of risk tolerance. Hence, we are completely equity-oriented as an investor and have limited exposure to diverse asset classes. Asset classes like gold, real estate, and low-risk options such as FDs are outside our mandate.

In terms of competency, we limit ourselves to areas we understand. I refrain from being the decision-maker in listed investments beyond asset allocation. This approach ensures a disciplined and informed investment strategy aligned with our return aspirations and risk tolerance.

As the founder and head of Sharrp Ventures, how do you balance the legacy of the Mariwala family with the agility required in the dynamic world of startup investments?

I play very different yet synergistic roles at Marico and Sharrp. Operational oversight of Marico is entrusted to professionals and my engagement is primarily through the board, but I do recognise my role as the custodian of the family's values and shareholding. I allocate 60% of my time to Sharrp, focusing on the unlisted side and in growing the firm, while a dedicated team manages the listed equities portfolio. The rest of my time is divided between Marico and Kaya. I actively immerse myself in understanding the FMCG landscape and staying informed about internal and external developments. As a board member, I take part in monthly operating reviews, engage with CXOs, travel within and outside India to different locations where we have a presence, and spend time with consumers. I always ask myself what areas of innovation across the product and operations can I propose to Marico, given my

In your vision for the future, how do you plan to balance the family's commitment to philanthropy, professional business management, and entrepreneurial ventures within the broader context of Marico and Sharrp Ventures?

We have a lot on our plate already. Balancing our commitments to philanthropy, professional business management, entrepreneurial ventures and our investments is a top priority in our family's future vision. We are institution builders across all our various initiatives.

From a board perspective, I serve on the boards of Marico and Kaya. Operationally, I lead Sharrp Ventures, managing investments for the family that includes my sister, parents, wife, and children.

In philanthropy, my sister Raj oversees the Mariwala Health Initiative (MHI), focusing on mental health catalysts and capacity building. Ascent, an initiative by my father, is now led by my wife Priyanjali, who also heads Aquacentric, India's first aquatherapy centre.

Sharrp Ventures is well on its path to institutionalisation, aligning with standard VC practices, including offering members a carry and long-term wealth creation opportunities. Welcoming a second partner in the coming month shows our commitment to the strategic long-term growth of the investment firm as a reputed institution.

Given that Marico's operations are led and managed by non-family professionals, what unique challenges and opportunities do you face in contributing to the family's legacy while not being directly involved in the day-to-day affairs of the company?

Navigating the dynamics of Marico, led by non-family professionals, presents both challenges and wonderful opportunities. For me, as a next-generation custodian, the key challenge is grasping the pulse of the business—understanding its intricacies, culture, talent dynamics, and position—inside-out. This is an ongoing journey, where I aim to build on the benchmark set by my father, the founder.

Though already a well-established entity, Marico must continuously innovate and scale. My unique perspective stems from daily exposure to new ventures and innovations across the board in the startup landscape. From my vantage point, enriched by observing small, venture-backed businesses scaling through technology, agility, and innovation, I strive to bring fresh insights and approaches to a larger organisation like Marico. My role on the board allows me to contribute strategically and bridge the gap between traditional business practices and the dynamic trends shaping the future.

For me, as a next-generation custodian, the key challenge is grasping the pulse of the business—understanding its intricacies, culture, talent dynamics, and position—inside-out. This is an ongoing journey, where I aim to build on the benchmark set by my father, the founder

Could you please share insights into the mentoring and guidance you've received in preparing to be a responsible owner and governor of Marico, given its current structure of separating management from ownership?

My father was one of the early pioneers of separating ownership from professional management in India. Observing this process play out from close quarters has been one of the defining lessons for my future role as a responsible shareholder and custodian of Marico.

While this has been an evolving journey, I remain committed to creating my own path. From 2010 to 2020, I spent a decade as an entrepreneur, laying the foundation for my understanding of business dynamics. Subsequently, my role as a venture capitalist, actively participating on various boards, has provided me with valuable insights.

Currently, my involvement in the Kaya business allows me to contribute significantly and gain hands-on experience. I am on a continuous learning path, transitioning from an observer on the board to an active participant. This involves keenly observing the management, fellow board members, and, notably, my father. The journey extends to the listed side of our investments, where I draw lessons from other companies and assimilate best practices into our approach and strategy.

What aspects of your father Harsh Mariwala's leadership approach and values do you find most inspiring and intend to carry forward?

I find my father Harsh Mariwala's leadership approach and values immensely inspiring, particularly his exceptional people skills. His ability to connect effortlessly, listen attentively, and maintain a down-to-earth and humble demeanour is remarkable. He has an incredible knack for putting people from varied backgrounds and with diverse skill sets at ease, getting the best out of them. This, along with his curiosity for learning, an action-oriented mindset, the ability to compartmentalise and prioritise, and a deep commitment to innovation, are qualities I would love to emulate going forward. ●

Conflicts in family business: **Looking back at the Dassler brothers' feud**

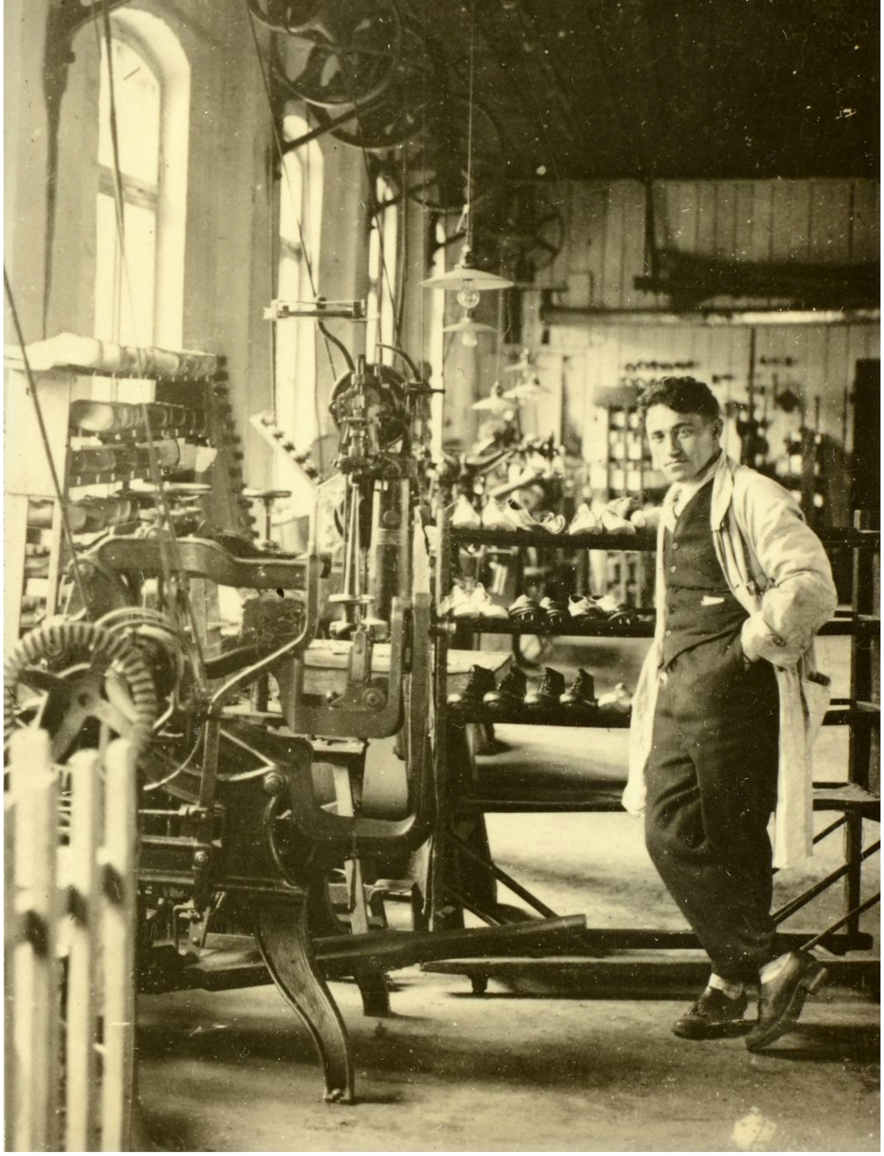
Source for photos: Google

Conflicts, feuds, and rivalries within a family can potentially jeopardise the family's business. The history of family business is rife with familial conflicts that have altered the very fabric of these distinct entities, as well as of the larger community and society. In this issue of FEQ, we delve into a family feud dating back to the early 20th century, which not only propelled the specialised sports industry but also transcended athletics, spilling over into the realm of global politics.

The town of Herzogenaurach in Germany holds a legendary status in both the world of sports and family business as it has borne witness to the world's most infamous, deeply personal, and bitter family feud. This conflict ultimately led to the division of a family business and the subsequent formation of two iconic brands: Adidas and Puma. Interestingly, the town already had a long manufacturing tradition that began in the Middle Ages when it produced textiles, shoes, and carpet-slippers (Connolly, 2009). Before the bitter feud, the family business thrived on the successful partnership of the two male siblings: Rudolf and Adolf. They named their firm Gebrüder Dassler, Sportschuhfabrik (Dassler Brothers Sports Shoe Factory).

The business emerged in the aftermath of World War I, a time during when the allied nations had imposed economic sanctions on Germany, which had plunged the country into an economic depression, resulting in raging unemployment and inflation. In this challenging economic context, the younger brother Adolf, who was also an enthusiastic soccer player, started making shoes in his mother's empty laundry room (Blickenstaff, 2017). Rudolf joined the sales side of the family business upon his return from the war and Adolf shifted his focus towards the creative aspects of the business. Adolf's creative contributions included the first cleated soccer boot and the first spiked track shoes—a featherweight, thin-soled construction with a leather upper. These shoes provided a snug fit, allowing sprinters to increase their speed with each stride. The collaboration between the Dassler brothers gained global recognition and a significant boost in sales, especially after the American athlete, Jesse Owens, won four gold medals in the 1936 Olympics while wearing Dassler Brothers shoes.

However, the relationship between the Dassler brothers soured, leading to the division of their company, post which they relocated to opposite sides of the river flowing through the town. There is no singular narrative explaining what went wrong between the two brothers, with theories ranging from jealousy and personality conflicts to political disagreements and betrayals. Town chronicles portray these as "internal family difficulties".



However, a largely accepted theory is that Rudolf's affair with Adolf's wife, Käthe, played a pivotal role in the conflict. Additionally, there were other accusations as well, such as who was the more enthusiastic Nazi (Connolly, 2009). World War II brought additional tensions, with suspicions that Adolf sought to manipulate Rudolf into frontline military service. Paranoia persisted even after the war, during the American-led "denazification" period, with each brother trying to represent the other as the bigger Nazi (Blickenstaff, 2017).

The Gebruder Dassler eventually split in 1948. Adolf assumed control of the manufacturing department and subsequently founded Adidas. Rudolf took charge of the business aspects and established a company named Ruda, which later evolved into the more refined brand, Puma. This division affected not only the company but also the social fabric of the town, influencing interpersonal interactions, marriage choices, friendships, and loyalties. It has even been argued that religion and politics were part of the heady mix, where Puma was seen as Catholic and politically conservative, whereas Adidas was Protestant and Social Democratic (Connolly, 2009).

There is no singular narrative explaining what went wrong between the two brothers, with theories ranging from jealousy and personality conflicts to political disagreements and betrayals

Presently, Adidas, with 60,000 employees, surpasses Puma, which employs 18,000 people, making it the larger corporation. However, Puma's endorsement deals with world-renowned figures such as Usain Bolt, Italian football champions, and Madonna highlights its continued relevance. The sibling rivalry between Adidas and Puma continues to act as an impetus for both companies to seek sponsorships from the world's best athletes, contributing to their tenacity and competitiveness.

Key Takeaways

- The family dynamics and relationships within a business can have a profound impact on the stability and continuity of the business.
- Conflicts, competition, jealousy are integral to family businesses. But these dynamics also generate the spirit of creativity, resilience, and survival.
- External factors, including cultural and political associations, can affect a company's reputation and market positioning. ●

References

Connolly, K. (2009, October 19). Adidas v Puma: the bitter rivalry that runs and runs. The Guardian. https://www.theguardian.com/sport/2009/oct/19/rivalry-between-adidas-and-puma

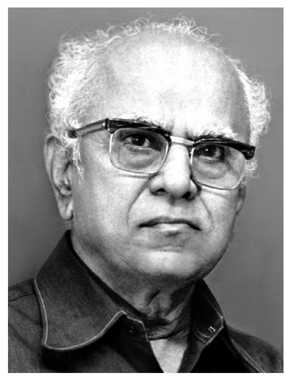
Blickenstaff, B. (2017, April 24). The Nazi Sibling Rivalry That Divided a Town and Created Modern Sportswear. https://www.vice.com/en/article/mgz97b/the-nazi-sibling-rivalry-that-divided-a-town-and-created-modern-sportswear

Cycle Agarbattis

A nose for **business**

Nestled in the heart of Karnataka, where history whispers through ancient corridors, is the captivating city of Mysore. The very name evokes the image of Dussehra festivities, the sound of the rustling silk sarees and the smell of sandalwood. Amidst this rich tradition, there's a company that's been crafting fragrances for the last seventy-five years, becoming the backbone of India's culture and prayer. Born in 1948 under the vision of N. Ranga Rao, 'Cycle' has come to be the most preferred and trusted 'fragrance of prayer' in India. So much so that when he was approached to be its brand ambassador, Mr Amitabh Bachchan is said to have quipped, "I need no introduction to the Cycle brand; I pray every day with Cycle products."

The founder of the company, N. Ranga Rao, hailed from a family of purohits and teachers but displayed an entrepreneurial spark from an early age. Whether it was striking a deal with a local British institute for free typing lessons or acquiring expertise in book-keeping, company law, and management, he consistently honed his skills, nurturing the dream of running his own business one day. With the dawn of Indian independence, he transformed this dream into reality with 'Cycle' agarbattis (incense sticks)—a product that beautifully aligned with his own spiritual roots and the sentiment of hope that imbued the country at the time. Never a man to do anything by halves, he threw himself into acquiring expertise in the field of perfumery by importing books on the subject and by setting up his own laboratory to create fragrances. The same commitment to perfumery expertise has been handed



down through successive generations who have also been trained in this subtle art and science.

Even the name that he eventually chose for his product signified the hard work Ranga Rao put into growing his company. Rather than wait for orders to come to him, he went from village to village astride his bicycle, seeking orders. When a shopkeeper could not distinguish his product from the rest, he decided to give his product a unique brand name. The name 'Cycle' was chosen because of its universal recognition across languages and its secular nature devoid of religious connotations. Furthermore, it was also

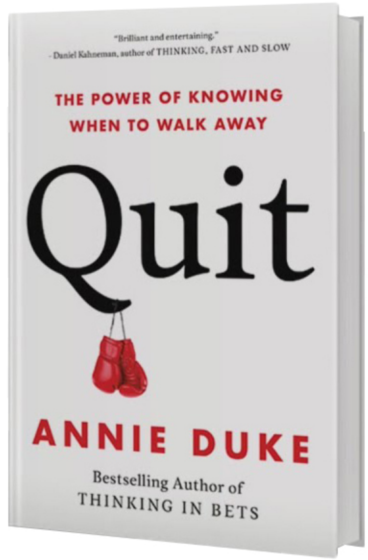
an embodiment of an individual pursuit, much like the act of prayer.

Today, this family-owned business is the largest-selling agarbatti brand in India with a market share of 22%, as per the market research agency Neilson. Arjun Ranga, the third-generation CEO and MD of the company, credits the company's success to the sacrifice and values passed on by the previous two generations. While mindful of the legacy passed on to him, Arjun also places special significance on the trust bestowed upon the company by both customers and employees alike. For him, this signifies a profound obligation for the company to actively contribute towards creating a better tomorrow. In line with this commitment, the company has taken concrete steps, offsetting its carbon and plastic footprint entirely, making it the first FMCG company in India to achieve this feat. Through the NR Foundation, the company and the family also support various initiatives in the fields of education, empowerment of women and the differently abled, and community welfare.

The company which started as a small cottage industry called the "Mysore Products and General Trading Company" has come a long way. From being the highest taxpayers in the country to being one of the largest providers of employment in Mysore, the company's ethos has been defined by the values of zimmedari (responsibility), imaandari (honesty), samajhdari (sensibility) and bahaduri (bravery). Its central tenet has always remained the same which is to give back to its employees, customers and society at large. As Arjun says, "… our work gets meaning when a customer writes in to say that when I light your agarbatti in Perth, I feel I am back home in India." ●

References

- A foundation with many hearts I NR Foundation. (2022b, September 16). NR Foundation. https://www.nrfoundation.org.in/overview/
- Agarbathi - NRRS. (2022, July 4). NRRS. https://www.nrrs.com/agarbathi/
- Ganesh, K. (2023, August 5). Cycle Agarbattis: the brand that brought mojo to Indian Agarbatti Industry. Mysuru Infra Hub. https://mysuruinfrahub.com/cycle-agarbattis-the-brand-that-brought-mojo-to-indian-agarbatti-industry/#google_vignette



Source for photos: Google

Quit: The power of knowing when to walk away

Annie Duke

In her book, Duke argues against the conventional narrative that glorifies persistence at all costs by positing that in a dynamic world where new information is constantly revealed, the ability to quit is just as indispensable to achieving success as the ability to persevere

"Quit" is a masterful treatise from Annie Duke—a decision-making consultant, former poker player and the winner of the 2004 World Series of Poker Tournament of Champions—on the fine science of "quitting". Drawing on her experiences in the high-stakes world of poker, Duke extracts invaluable insights to make the reader understand the nuanced balance between grit and knowing when to fold. She credits the quote—The opposite of a great virtue is a virtue. The opposite of grit is quitting, which is also a virtue—as the philosophical cornerstone of her book, challenging the conventional narrative that glorifies persistence at all costs. In her book, Duke argues against the conventional narrative that glorifies persistence at all costs by positing that in a dynamic world where new information is constantly revealed, the ability to quit is just as indispensable to achieving success as the ability to persevere. The author critiques the traditional approach to goal-setting, warning against the "finish line mentality" that may blind individuals to changing circumstances and render them inflexible.

Through real-world examples and insights rooted in rigorous academic studies, Duke elucidates the reasons people choose to persist, even when the case for quitting is strong. Concepts such as the sunk cost fallacy, escalation of commitment, and the endowment effect are explored as psychological barriers to quitting, and Duke offers readers actionable advice such as the interesting ideas of having a "kill criteria" or "seeking a quitting coach" to overcome these challenges.

The book also features case studies of individuals and companies that have made strategic decisions to quit and ultimately found success in unexpected ventures. It emphasises the significance of identity and cognitive dissonance in decision-making, citing examples of companies like Sears and Philips, to showcase how clinging to a core identity can hinder adaptability.

Duke's engaging storytelling, coupled with her practical prescription for better decision-making, makes this book a valuable resource for those seeking a nuanced and adaptive strategy for success in the contemporary milieu. Whether dealing with a product that has run its course or a family business where the family must choose between legacy and sustainability, the art and science of quitting can help both individuals and businesses stay relevant and successful.

Among the most poignant narratives in the book is the story of three climbers from the 1996 Mt. Everest expedition, immortalised by Jon Krakauer's Into Thin Air. Hutchison, Taske, and Kasischke made the courageous choice to quit and turn back in the face of unfavourable and ultimately fatal conditions. Duke points out that such stories, though uncelebrated, are as important as the ones that celebrate perseverance because they affirm the fact that "Quitting gives you no glory, but it can give you a chance to climb another day." ●

Indian School of Business

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

Thomas Schmidheiny Centre for Family Enterprise

The Thomas Schmidheiny Centre for Family Enterprise, at the Indian School of Business has emerged as the foremost authority on family businesses in South Asia. It undertakes 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, Sushma GNVS, Anupreet Kaur, Tajuddin Malik, Astha Mishra, Pallavi Mohan, Shivangi Mohan, Sunil Samuel Pew, 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

@ISBFamBiz **ISBFamBiz** **ISBFamBiz**

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

Corporate Identity Number: U80100TG1997NPL036631

AACSB ACCREDITED · ASSOCIATION OF MBAS ACCREDITED · EFMD EQUIS ACCREDITED