

Top biz family mantra: Co first, kin second

Governance Structure, Cohesion Vital To Ensure Survival Beyond 3rd Generation

TIMES NEWS NETWORK

Mumbai: Ensuring that the business excels in a competitive world, while also maintaining harmony among promoter family members, is a tough balancing act. Family businesses that have managed to decode this formula are role models for today's entrepreneurs.

The second edition of The Economic Times Family Business awards, held on Wednesday, witnessed titans, who have accomplished great things, winning big (*see graphic*). The mantra followed by many of these successful business leaders is that the organisation comes first, the family second. Hiring professionals to run the business is a path most family businesses are moving towards to ensure meritocracy rules.

However, maintaining equanimity among family members is equally important. Communication, transparency and trust are key to a harmonious relation between members of a family business. These were some of the learnings shared at a fireside chat between Shiv Nadar, founder-chairman of HCL, Harsh Mariwala, chairman of Marico, and Arun Bharat Ram, chairman of SRF.

The main reason because of which most family businesses cease to exist beyond the third generation is lack of both — a governance structure, and cohesion within the family. "It's not just the family members who have the brains and abilities to manage a business. When I was a child, my grandfather brought in exceptional professionals to manage the business," said Bharat Ram. "Managing conflict can be a challenge for any fa-

ROLL OF HONOUR

FAMILY BUSINESS OF THE YEAR		
MEGA COMPANIES	LARGE COMPANIES	EMERGING COMPANIES
Bajaj Group	SRF	Metro Shoes
LIFETIME ACHIEVEMENT Yusuf Hamied, chairman, Cipla	GLOBAL VISIONARY Shashi Kiran Shetty, chairman, Allcargo Logistics	OUTSTANDING WOMAN ENTREPRENEUR Vinati Saraf Mutreja, MD & CEO, Vinati Organics
PHILANTHROPIST OF THE YEAR Shiv Nadar, founder, HCL	EXCELLENCE IN FAMILY BUSINESS GOVERNANCE Harsh Mariwala, chairman, Marico	MOST PROMISING SCION Shashwat Goenka, sector head - Spencer's Retail, and FMCG, RP-Sanjiv Goenka Group
EFFECTIVE SUCCESSION PLANNING Prathap Reddy, founder-chairman, Apollo Hospitals		

mily. It's important to have an appropriate governance framework in place so that family members can manage their differences in a way that deserves cohesion and does not jeopardise the future of the business," he said.

NxtGen
Infinite Disruptor
Presents

THE ECONOMIC TIMES FAMILY BUSINESS — AWARDS —

But how do promoters ensure professionals are trustworthy and deliver results? Many battles have been fought due to differences of opinion between promoters and professional CEOs. "When I stepped down (from MD/CEO post), the first thing the board asked me to do was write down what role I will play as chairman and what role will be played by the CEO. This brought in a lot of clarity. We have monthly review meetings with the CEO and the management to see if we are on track. The objective, however, is not

to keep an eye on the CEO. My mind is on 24/7, but my hands are off," said Mariwala.

When he took a decision on retiring from the active CEO role, Bharat Ram asked his two sons to prove themselves. Else, he would make someone who is capable the CEO. Both his sons run the company today. "I also told my sons, 'If you want to work together, you have to make rules and a constitution'. The constitution has ensured that my sons work in a harmonious way," said Bharat Ram.

The chat surmised how it's important for younger members of the family to follow their passion rather than be forced to join the business. Nadar recounted how his mother inspired him to take to philanthropy and, later, how his daughter too was drawn towards it.

On receiving the family business of the year (mega companies) award, the Bajaj brothers spoke about the seniors of their family leading from the front in managing relations within as well as in the group, and how this has paid off with the entire organisation reporting consistent growth.