

RELAY OF RETIREMENT

WHEN ALL FAMILY MEMBERS CONVERGE ON THE BENEFITS OF STEWARDSHIP, SUCCESSION IS A WALK IN THE PARK

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Leadership succession is one of the most discussed topics in family business literature across the world because of the challenges involved in effecting succession of the next generation smoothly. Succession is the other side of the retirement coin and part of the relay race that should be planned and executed carefully.

Challenges of succession have different shades of culture, logic and emotion, in varying degrees. For instance, in a traditionally male-dominated society like India, where working for the family business is considered as a birth right, every male member of the family naturally stakes a claim to work for the business at a senior leadership position. Similarly, for a variety of reasons such as perceived negative impressions relatives and friends may have about the person bypassed, families prefer to have a less competent elder son as the leader. This may not be acceptable to the more competent (often self-selected!) other family members and a decision on the successor may get postponed, sometimes eternally or until everybody involved getting frustrated, leading to some desperate actions. This is a cultural baggage we have been carrying in India for centuries. So long as the eldest is a steward with clear understanding of the role, including the need for consulting other family members on various aspects of business management, there is no big problem. However, in a society that is rapidly giving way to nuclear families, the need for agreement on succession and working together is very high. Hence, there is a need to isolate and consider the critical success factors of the business and identify the most suitable family member to lead it. In other words, family businesses should apply the principle of contextual leadership in their context. Let us remember that in the Mahabharata, Yudhishtira, the eldest, was not the leader in all situations. In that sense, there may be a business head different from a family head. Yet another challenge in several families is lack of interest in the next generation to join the parental business for a variety of reasons, including challenges of working under the stifling style of their father or uncle.

Emerging career opportunities for the young generation in a rapidly evolving economy is also posing succession challenges. Many youngsters are not keen on pursuing the same business that their families have built up. They are guided by considerations such as more attractive location to work and live, opportunity to pursue their interests and passion, exciting careers outside the existing business, and the need or at least caution to avoid parking in an al-

ready crowded family business. Clearly, there is a need for an open dialogue among family members to clarify the long term purpose of having 'a' business if not the same business. Basically, families should define themselves as in the business of generating wealth, independent of any specific business. As we know, all products are influenced by their life cycles and hence, families have to manage their portfolio of businesses or sources of wealth carefully.

The great economic transformation of India experienced by the current generation has also turned out to be a source of concern for smooth succession. Several people believe that they may have to make huge sacrifices in terms of the entrepreneurial opportunities they would not be permitted to pursue if they have to listen to others. 'Break up and break out' seems to be their motto. This is unfortunate because it is for want of awareness about the process of achieving the same through systematic decision making that they go for such extreme steps. For instance, all successful families with clear growth goals collectively decide on the growth path to follow.

In any case, business leadership is perceived to provide an opportunity for individuals to meet their ambitions and ego needs ("visiting card value"), and hence, multiple members may stake claim to be the successor. Many of the ego needs can be addressed if these are also included into any decision criteria with minor weightage. Also, they seem to assume that the capabilities required to lead a business at different stages in its life are the same. This is again out of ignorance about the possible mechanisms for achieving the same goals of satisfying multiple needs without having the need for everybody to declare complete independence. Besides, the term leadership is not always defined clearly.

Development and adherence to an appropriate approach can ease or avoid many of the challenges on the succession front. This could include the following steps.

To start with, the family should develop clear goals of existence, particularly the need for working together as one family. Unless there is an understanding among the adult members about coexistence and combined efforts for the growth of the business and wealth creation, there will be fissures and tensions, if not explosion, making succession never an easy process. Families have benefited immensely from learning these mechanisms.

All adult members, particularly key members of the

senior and next generation, should openly and log discuss the family's strategy towards business, in implications of continuing with their existing business. Most families are driven by short-term tactics and benefits of a long-term roadmap of any kind. They assign roles and responsibilities for the members on the competence and requirements. Let us recognize that not all fingers of the hand are the same but together achieve a lot.

Family members should be willing to rotate roles based on their interest and capabilities; this will enable members to avoid getting boxed into silos in their thoughts and loyalties. This should be seen as a way to avoid individual egos playing a dominant role.

Developing a set of measures of individual performance objectively is found to be a sound approach to retain capabilities and identify the best to lead tomorrow. This will help fix performance rewards if there is a present need to do so. Also, this will avoid family members from becoming ineligible heroes and unwitting victims in any situation. It will be useful to take the assistance

of people who are accepted as neutral arbiters, to ensure objectivity in decision making.

As business expands and complexity evolves, family members should gradually move out of operational roles and concentrate on strategy and governance. This is not always easy, particularly because of the challenges of professionalization and difficulties in finding appropriately competent non-family executives. In fact, young family members should move out of operational leadership rapidly and develop a roadmap to move up further gradually.

The bottom line of all these approaches is the necessity of all the family members to see the goal of growth and preserving family wealth. They should recognize the benefits of stewardship for everybody. They should discuss the ways and means to meet their material and emotional (including ego) needs. In the process, people should show their determination and courage to accept the basis for choosing the person to lead their family business. In the process, the relay race of retirement succession will continue smoothly. As mentioned in an earlier article, constant and open communication, if need be with the help of a facilitator, will help achieve both retirement and succession of leadership. That is the way to go about winning the succession challenge.

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