



In Family Business



# TRANSITIONS – 3 PHASES

- BEGINNING – *anxiety*



- NEUTRAL ZONE – *confusion, strange, distress*



- ENDING – *hope*



# **RULES** OF TRANSITIONS

- **RULE NO 1** – *you will find yourself coming back to old ways as though your life depended on it*
- **RULE NO 2** – *first there has to be an ending of old ways and then a beginning of new ways*
- **RULE NO 3** – *the time “in-between” the old and the new will be empty and stressful.*

**How you handle the neutral, in-between zone, determines the success of the transition**

# THE 'IN-BETWEEN" PHASE

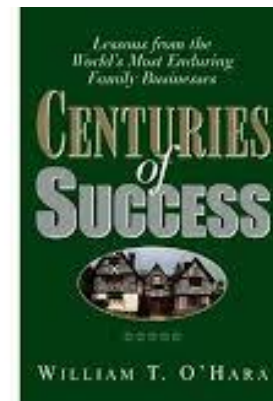
1. Arrange temporary structures
2. Don't act for the sake of action
3. Explore the other side of the change
4. In- reality, you will move back and forth between old and new
5. Self renewal precedes change
6. Find someone to talk to
7. Take care of yourself in little ways – favourite foods, familiar TV programs etc

# TYPES OF DISRUPTIONS IN FAMILY BUSINESS

- Market forces
- Technology
- Regulatory
- Succession
- Political
- Exclusion of family members outside the business – both married into and born into
- Core values compromised
- Next gen vision mismatch
- Next gen- underdeveloped/unprepared
- Family conflicts and power struggles
- Governance challenges
- Natural Disasters

# TRANSITIONS AND LONGEVITY

- WILLIAM OHARA IN HIS SUPERB BOOK “ CENTURIES OF SUCCESS” COMPILES TWENTY CASES OF FAMILY BUSINESS THAT ARE LITERALLY CENTURIES OLD.
- FROM THE JAPANESE COMPANY KONGO GUMI OF THE KONGO FAMILY FOUNDED IN 578 ( TEMPLE RESTORATION) TO GEORGE RUHL AND SON ( BAKERY SUPPLY) OF THE USA FOUNDED IN 1789.
- EACH OF THESE FAMILY BUSINESSES HAVE SURVIVED AND THRIVED BEYOND CATASTROPHIC TIMES – WORLD WARS, REVOLUTIONS, CIVIL WARS, DEVASTATING EARTHQUAKES, EPIDEMICS, PANDEMICS, STOCK MARKET CRASHES ... BOTH MAN MADE AND NATURAL
- **FAMILY BUSINESS’ WHO HAVE LEARNT HOW TO HANDLE DISTRUPTIONS HAVE SEEN MULTI-GENERATIONAL LONGEVITY**



# WHAT THE BUSINESS AND FAMILY MEAN TO EACH OTHER

- **HOW FAMILY BUSINESS HANDLES THE DISRUPTION DEPENDS ON:**
  - WHAT THE BUSINESS MEANS TO THE FAMILY
  - WHAT THE FAMILY MEANS TO THE BUSINESS – investor, brand, active owners, operating leaders
- FAMILIES HOLD THE BUSINESS TOGETHER OR THE BUSINESS HOLDS THE FAMILY TOGETHER
- FOR FAMILIES THE BUSINESS CAN BE :
  - **ECONOMIC ASSET**
  - **SOCIAL ASSET**
  - **WORK- IDENTITY ASSET**
  - **PSYCHOLOGICAL ASSET**
  - **FAMILY HEIRLOOM**

SOME COMBINATION OF THESE



# BUSINESS AS AN ECONOMIC ASSET

- LIVELIHOOD – KAMADHENU
- WEALTH CREATOR AND WAR CHEST
- BUY AND SELL FOR PROFIT
- FEW BUSINESS' IN A MULTI-BUSINESS PORTFOLIO
- SELL AND EXIT
- ANOTHER ASSET CLASS IN THEIR WEALTH PORTFOLIO
- FORTUNE
- INHERITANCE
- **EMOTIONAL ATTACHMENT LOW**



# BUSINESS AS A SOCIAL ASSET

- PROVIDES
  - **SOCIAL STANDING AND STATUS – UPWARD SOCIAL MOBILITY**
  - LIFE STYLE
  - LOW ON VALUE FOR FRUGALITY
  - FAME
  - POWER AND INFLUENCE
  - REPUTATION
  - CONNECTIONS AND NETWORKS
  - **OPPORTUNITY TO EMPOWER SOCIETY**



# BUSINESS : WORK- IDENTITY ASSET

- CAREER PLATFORM
- ENTREPRENEURIAL RISK PLATFORM
- LEARNING SPACE
- ACHIEVEMENT
- **WORK IDENTITY IS FAMILY PRIDE AND LEGACY**
- RECOGNITION
- SOMETHING TO DO EVERY DAY
- PART- TIME OPPORTUNITY FOR SOME FAMILY MEMBERS



# BUSINESS AS PSYCHOLOGICAL ASSET

- PERSONAL IDENTITY FUSED WITH BUSINESS IDENTITY
- WE ARE THE BUSINESS AND THE BUSINESS IS US
- LEGACY IDENTITY
- WHAT WE DO, IS WHO WE ARE
- **EMOTIONAL ATTACHMENT HIGH** – SALE IS VERY DIFFICULT
- TROPHY ASSETS IN THE PORTFOLIO



# BUSINESS AS A HEIRLOOM

- BUSINESS IS A LEGACY HANDED OVER FROM GENERATION TO GENERATION
- PROTECT, PRESERVE, GROW
- TRUSTEE AND STEWARDHIP
- LEGACY FIRST, BUSINESS NEXT, FAMILY LATER
- THINK LONG TERM
- SUCCESSION PIPELINE FOR TOMORROW



# THE UGLY FACE OF BUSINESS

- DIFFERENT FAMILY MEMBERS HAVE DIFFERENT LINKS WITH THE BUSINESS
- FOR SOME BUSINESS :
  - IS A RISK TO THE FAMILY
  - IS AN INTRUDER INTO FAMILY SPACE
  - IS THE CAUSE OF RIFTS IN FAMILY RELATIONSHIPS
  - CAUSES WORK LIFE IMBALANCE
- CHILDREN RESENT THE BUSINESS FOR TAKING AWAY THEIR FATHER /MOTHERS ATTENTION DURING THEIR FORMATIVE YEARS
- BUSINESS DIFFERENTIATES US —CAPITALISM OF BUSINESS, SOCIALISM IN FAMILY

# RECALIBRATION MAJOR TRANSITIONS

- **FAMILY NEEDS TO RECALIBRATE THEIR CURRENT MEANINGS TO ENABLE NEW OPTIONS :**
  - sell a business which has been a psychological asset ?
  - merge a business and cede control of an economic asset ?
  - remove “under – experienced/ under performing” next generation from the business which provides work identity to them ?
  - reduce salaries and perks of family managers from the business which provides life- style and status now ?
  - cut down/ postpone family income to reinvest in business ?
  - adopt frugality in life-style expenses when business is a social asset ?

# RECALIBRATION MAJOR TRANSITIONS..Contd

- **FAMILY NEEDS TO RECALIBRATE THEIR CURRENT MEANINGS TO ENABLE NEW OPTIONS**
  - get a non-family chairman as successor ?
  - decide to step down as successor in favor of your younger brother who is more suitable for the job ?
  - conduct a simple wedding of your niece?
  - use UBER or OLA to commute?
  - evolve policies for many contingencies before you need them?



# DEEP FAMILY CONVERSATIONS

- SUCH AGILE STEPS REQUIRE ALIGNMENT AND DEEP CONVERSATIONS WITH ALL FAMILY MEMBERS AND SENIOR NON – FAMILY STAKEHOLDERS
- ENCOURAGE EACH FAMILY MEMBER TO RE-EXAMINE WHAT THE BUSINESS MEANS TO THEM
- ENCOURAGE EACH NON-FAMILY SENIOR TO RE-EXAMINE WHAT THE FAMILY MEANS TO THE BUSINESS
- DO THIS RE-EXAMINATION SITTING AROUND TOGETHER IN OPEN CONVERSATIONS
- GET A TRUSTED AND SKILLED FACILITATOR TO HELP THESE CONVERSATIONS
- **ONCE THESE MEANINGS ARE UNRAVELLED, FAMILY AND BUSINESS CLARITY, ENERGY IS MOBILISED TO A COMMON PURPOSE**

**THANK YOU**

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