

Costly lessons for succession planning savviness in India

Marketing and communications experts in Indian wealth management feel that awareness of having succession plans in place has grown among Indian HNI families after the feud between the Ambani brothers.

Adi Godrej, a well-known business leader in India, handed over the reins of his flagship company to daughter Nisaba in May this year. The move, just after Adi Godrej turned 75, was widely reported in the Indian media which is not used to such smooth, well-publicised transitions of power even in enlightened business families.

Wealth advisors can help plan inter-generational transfer of wealth and business through a variety of ways, by offering to mediate – even without charge because several advisors know HNI families quite well – or holding next-generation events that connect patriarchs and millennials.

“But that’s changing now, you’re right about the grandfather generation and maybe the father generation but I see there’s a certain more awareness and understanding in things like Ambanis hitting the headlines, our generation, this generation, the next

generation. So, I think you would see a certain movement to manage succession planning and the openness,” said one marketing expert.

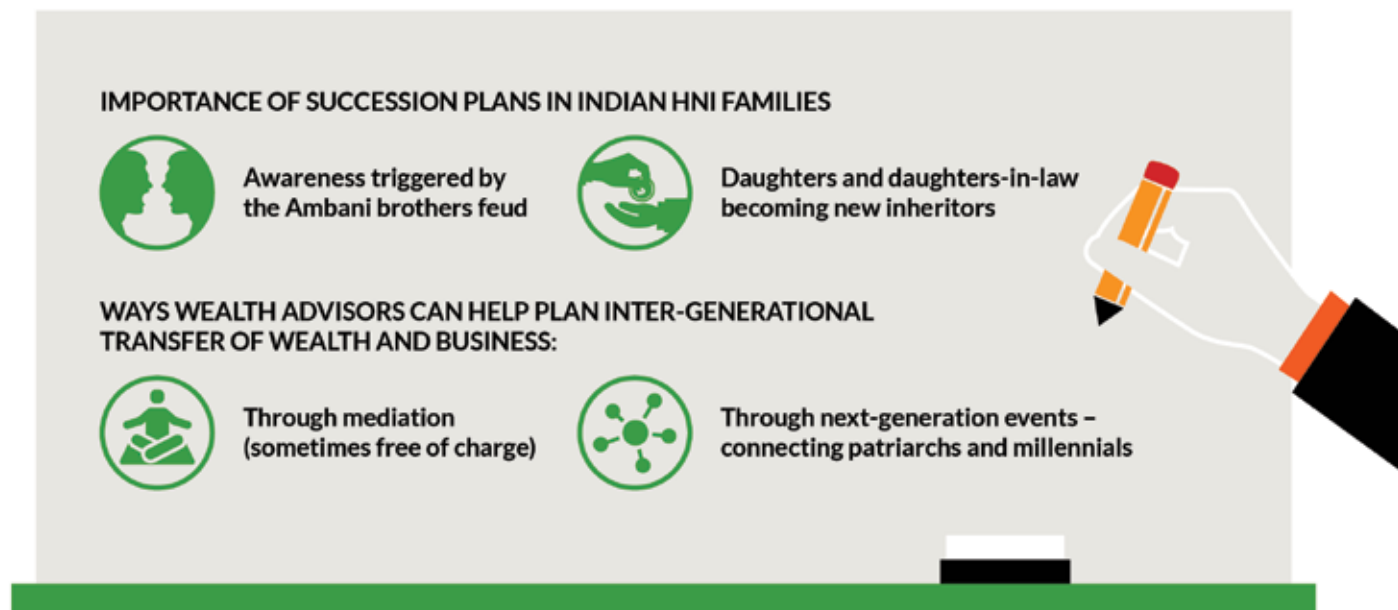
of the family, right. So, when you’re in a situation where there are things that need resolved, what we have done is we’ve actually got an outside

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“I will just give an example, you were talking about the clock ticking mechanism and that’s one of the ways how you differentiate, sometimes we have to actually intervene or because we become advisers and you get invited to family weddings, etc., they become almost extension

mediator at no cost because I am not here in it for money. I am already handling your money and hopefully the next generation, but what we try and provide advice is get someone from outside to come and mediate and more often than not there’s no cost associated to mediating, it’s just

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the regard and the thing that happens,” said another practitioner.

Data shows that Indian families need all the help they can get.

Family businesses may be growing in India but only a handful of them have a concrete succession plan, showed a 2016 study by PwC.

While three-quarters of top Indian family businesses recorded growth, just 15% have chalked out a robust, documented succession plan.

The 2016 Global Family Business Survey- India surveyed 2,802 family leaders across 50 countries, 102 of them in India.

Not only the Ambani brothers' feud, but, more recently, the Ratan Tata-

Cyrus Mistry succession gone awry, holds lessons.

COMMUNITIES, NEXT-GEN EVENTS

The panel felt some communities in India, such as Marwaris, bring up children with a great awareness of money matters, right from spending to saving and investment. Others can learn from them.

Advisors must prepare clients, and themselves, for the change that an inter-generational shift implies in a company.

Events that allow a peep into next generation's thinking and help in inter-generation understanding can be arranged to facilitate communication.

“Precisely, you actually get the third generation and different people, you sponsor separate workshops, maybe

run by Harvard or by McKinsey which talk about inter-generation planning and using case studies and what happens if you don't do this. So, that's something that they use effectively as a marketing tool,” said one market participant.

“You have the old man with likes things that way and he has a certain relationship manager who does it that way and then tomorrow the son takes over, and there's a two generation difference there because there is easily three decades of difference there and he just does not – how should I say – have chemistry with the relationship manager who is the older guy. ”

The organisations I don't think financial services organisations are geared to see whether they can change the RM tomorrow. They don't.” ■