

How to prepare for changes in Indian family dynamics

While sharing family problems does not come naturally for wealthy Indians, secrecy is taking a back seat to best practices and trusted professional advice to ensure that businesses keep moving forward through generations, says Sunil Shah of Evergreen Family Business Advisors.

If there is one word that rings true about families in India, it is change. The joint family structure, in which several generations lived under one roof and a senior member held together businesses and worked for family unity, is giving way to smaller families.

The result is the rise of more of a 'nuclear' set up – and, along with it, the need for a new mechanism to resolve conflicts that crop up within families as they extend from the founders to the next generation.

"In the traditional [Indian] mind-set, one is not supposed to share or talk about any issues, let alone any differences or disputes with others," says Sunil Shah, director of Evergreen Family Business Advisors. "It is deep in the DNA of Indian families and in their culture to keep family matters within the family."

In part, younger members of the family who study or live abroad are driving the

change. When they return to India, they bring with them ideas that contrast with those of the patriarch, therefore giving rise to differences.

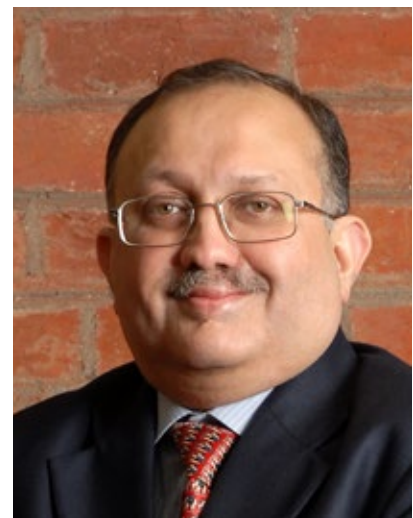
"They come back with the idea of openness and are semi-Westernised," explains Shah.

"That creates a certain pressure on the system – although it's a positive one – from the next generation," he adds.

For family-focused advisory firms like Evergreen, the new generation of inheritors are opening a world of new opportunities. Yet the approach that works in the West in terms of setting up governance models cannot automatically be implemented or adopted in India because families are still not as communicative or open about their issues.

GETTING THE FAMILY IN SHAPE

When it comes to building family constitutions in India, therefore, Shah, who



SUNIL SHAH

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has written extensively on this subject and even taught a course at the Indian Institute of Management Ahmedabad, typically divides his work with families

into two parts. The first is diagnostics. Here, he meets the whole family for an informal chat. Assuming they go forward from there, he then invites them for a three-day workshop before starting work on the process of building the constitution.

The workshop is part of his exercise to identify the problems facing the family and to figure out whether he is the right person to revolve those, he explains.

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The diagnostics workshop itself has two components: one-on-one sessions, so individuals can open up and talk freely about what is on their mind without worrying about what other members might think of them; plus a joint session with all members sharing together.

Shah says he spends a lot of time trying to understand the under-currents of family dynamics.

Although his clients come to him on their own, from experience he knows whatever they disclose about themselves will often be just the tip of the iceberg. “I spend a lot of time in making people feel free to communicate, because they are not accustomed to

communicating on these topics. Sometimes, two days go into this, but that’s actually the most productive part of the exercise,” he adds.

CREATING NEW LEADERS

Tied to the first part of Shah’s work is the second part of the process: Next Generation Leadership Development.

For this, he takes on the role of a mediator between the old and the new generations; he looks to help each side see the viewpoint of the other.

Typically, he says he finds that although nearly 80% of heirs are keen to join family businesses, sometimes they are

reluctant to do so because of interpersonal issues and differing views about running the business.

For the patriarchs, he says, the business not only represents their wealth, but also their life’s work. So their reluctance to change stems from a fear that the next generation will flitter their wealth away. The next generation, on the other hand, want to have more autonomy and a voice in taking business decisions.

To bring the two sides together on a common footing, Shah uses his Certification in Coaching from the International Coaching Federation. Again, he says he focuses on communication and openness within the family.

“The workshops are introspective sessions designed to encourage members to think about what’s non-negotiable and what’s negotiable,” he explains. “I encourage that and I help that negotiation happen.”

GETTING PAID FOR ADVICE

Going forward, Shah believes that more and more wealthy families will open up to the idea not just of engaging a professional adviser, but also paying for the services.

“The traditional mentality of wanting free advice and saying, ‘I don’t want to pay for advice’, is giving way to ‘let’s get the best man for the job rather than doing it ourselves.’”

But the future is not without challenges for family advisory firms such as his. For example, client acquisition is a slow process; the richer the family, the longer the gestation period, he says.

To make advisory a viable proposition, therefore, Shah suggests firms should look to have at least two or three anchor clients, since relying on one family alone may not be wise, given that wealthy clients tend to be unpredictable. “Anchor clients change their mind or they invest in a huge property or they have some business issue and they say ‘well I can’t do any investments.’”

One of his priorities going forward is to build a network of people with expertise in fields ranging from psychology to mental health to addiction. He will then be able to guide families that have members with such problems and who may have confided in him about these.

“And over the last three to four years, these kind of questions and issues have come up in many families, especially the larger ones.” ■