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## Context to the nugget conversation

Tarun speaks about how family businesses think about the next generation coming into the family business. He speaks about how sometimes the next-gen wants to pursue a different path and how they walk the tight rope of ensuring continuity versus tuning into the passions of the next generation.

## Transcription

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Deepak Jayaraman (DJ): And staying with families Tarun, when you think about how the baton gets passed from one generation to another, when you look at entrepreneurs that have built successful businesses, what have you seen as some of the practices in the way they deal with the next gen in terms of giving them autonomy to pursue what they want, at the same time thinking about sort of the custodianship of a business if such a term exists and setting them up for success. So, can you talk a little bit about that transition from one generation to another?

Tarun Khanna EP2 (TK EP2): Few things that jump to mind, it is not obviously a comprehensive answer with some observations. Well-run families often have a period of apprenticeship for the next generation, where someone the next generation, first of all there has to be some kind of filtering process to decide whether someone is interested in joining and if he or she is interested in joining then do they have the competence to do it and if so, how can it be nurtured to see how far they can go. Lots of families talk about this. Bajaj interviews talk about this, I think, if I remember correctly, Adi Godrej's interview talks about this, the Murugappa in the South talk about this and so on. The Ayala family definitely talks about it, various businesses in Western East Africa you see it. So, this is a theme that comes up all the time is that how do you decide whether X person in the next generation has the interest and the competence to do this and if not, can we find a different way to help them fulfil their aspirations whatever they might be. I am reminded of a close friend who I leave unnamed because, they are in the book, they are a Middle Eastern family in the book and the oldest brother in the current generation said to me that for goodness's sake, it's the biggest one of the biggest businesses in this part of the world but I have zero interest. I want to be a painter, I want to live in Europe and you know to their credit, the family, orchestrated it so that he is a painter in Europe, not a very good one at that but so be it, it's fulfilling his aspirations. And you know a much younger person took over the main business. So, I think those are hallmarks of good...

DJ: And if I stay with that Tarun, in terms of navigating that conservation of skill and will, interest and competence is that do you see these families work with somebody to get to a meaningful place or is it sort of an internal discussion? Is there an insight into how they sort of the, how this unfolds?

TK EP2: You know, Deepak, on that I couldn't really be sure. I can say it from my own personal experiences with maybe half a dozen families in India that I have had the pleasure and privilege of knowing for at least 20 to 30 years that they have all struggled, some have struggled with candour and good humour and some have struggled mightily and unpleasantly. So, it's a little hard for me, it would be a bit disingenuous for me to draw generalisations. There's a whole industry of advisors who specialise in family transitions and I am sure they could be quite useful. But certainly, having someone who is singled out as the most respected in the previous generation is a big, is almost, I venture to say is a necessary condition for transitioning because there has to be someone who's orchestrating and people respect. And even the transition that I can think of in Indonesia, Kenya, South Africa, India, Pakistan that are going on right now that I personally know, all have this characteristic that there is a person who everybody respects, he or she is driving it and there are usually one or two trusted counsellors from the outside who are just lending an ear and trying to give an impartial opinion, but it's a tricky process. I mean, how many of us have seen, I mean I see this in the academic community to take a different context, right? Someone who has been a very successful academic in an institution like mine, which is quite visible and they don't want to let go, right, because that's what they do and what else would I do? I can come tomorrow morning. So, you convince yourself that it's in everybody's interest that you stick around even probably usually long after it is in everybody's interest that you stick around. So... and I have told my wife that if I get to that point, she should drag me out, take me home so...

DJ: Got it, got it. I think on that note you refer to the Murugappa Group in the book and you speak about the notion of someone called a karta, I hope I am pronouncing it right, somebody not necessarily the elderly but somebody who is formally appointed as a person who could sort of solve some of these naughty sorry, tricky situations. Like that have you seen any... could you sort of expand on that or can you think of other parallels where companies formally...

TK EP2: Yeah, I mean, there are, there's a very prominent North Indian industrial family where there are multiple brothers in the current generation, one of whom is a spectacular operator and the would-be CEO and the other is a spectacular ambassador-at-large and each would be terrible at the other's job. And so, one could imagine that it is a very nice division of responsibilities where someone is like in India you would say the foreign minister and someone is the prime minister so to speak or in the U.S. you would say Secretary of State and the President by the divide of the responsibilities. Though I have to say that that's a bit rarer than I would like it to be so the Murugappas make it sound like that is a pretty traditional practice in their community and at that time and I am sure it is but the situation that I just described with this North Indian family I wish they more common. Usually, you have somebody who rises to the top and takes charge and he or she thinks they can do it all and of course nobody can. So, it could be better, let's just put it that way in most cases. But you know Deepak, we are all human beings so we all have plenty of rough edges; I certainly do.

## Reflections from Deepak Jayaraman

DJ: Coming back to Harsh Mariwala (HM), he speaks about appointing somebody that has everybody's trust to get the family to a fair and a meaningful outcome for everybody.

HM: *"if we have a mediator who is trusted by each and every family member being neutral, being fair, then that is a big, big asset in any negotiation. And we appointed Mr. Bipin Shah who was earlier in Lipton's as a Director and also on Hindustan Lever as a Director, Lipton Chairman.*

*He was known to my father, my uncles so, he was in that age group, but the negotiations were done by me and my cousins and none of the elders were involved in negotiations. But he was there as trusted because he was in that age group of my father and my uncles, and he played an important role in driving consensus. It had to be a little bit of a give and take in terms of what we want to do. So, I think that played a very, very important role and we had to do it in a structured manner, go one by one rather than just I mean, if there are frayed temper, then you would again play an important role. So, nobody should be allowed to go back because many a times you know what happens is you discuss something, you finalise something in a family meeting today and after one month they will say, no, no, this is not agreeable. So, he played that role, he had that, he was there in the meeting, he was fully aware of what was happening and if something went off track, he would intervene, but otherwise it would be negotiation would be handled by us, he would guide us, but he would not take sides.”*

DJ: Thank you for listening.

## End of nugget transcription

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Nugget from Harsh Mariwala that is referenced: [Tactful separation](#).

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### **About Deepak Jayaraman**

Deepak seeks to unlock the human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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