

## How to Bridge a great divide

**Randel S. Carlock**  
**bizpost@scmp.com**

'It's not fair, Dad. It's not fair, Mum.' This is one of the first complaints that young children make to their parents. And now it's a cry that's echoing through the boardrooms of Asia's family businesses, as these move towards next-generation leadership and ownership.

The irony is that many of the tensions in Asia's family firms stem from a well-intentioned desire to avoid conflict. Indeed, avoiding conflict is a core value in many Asian cultures. Confucianism's emphasis on respect for elders is a form of conflict-avoidance that may work very well at home. But it can lead to confusion and simmering resentment in the family factory, as the sons and daughters of the founder start to take control. Sooner or later, the perceived lack of fairness explodes into all-out conflict. And although many companies thrive on a bit of constructive conflict, in a family business, there's no escaping it when you go home in the evening. In the end, the risk is that both the family and the business self-destruct.

The barriers to fairness are clear but they often come as a surprise to business families - not least to the founder, who has traditionally focused all his or her talents and energies on building the business. Now, however, it's time to focus on building a long-lasting family business.

Allocating ownership and dividends, deciding who should lead both family and business, agreeing the rules of careers and governance - these are the new issues on the table. And every single one of them has the potential to turn into a conflict, if the family has not planned and made decisions together.

Let's imagine an all-too-typical scenario. You are a devoted son who accepted the burdensome responsibility of avoiding conflict in early childhood and the post of company president in your father's business on finishing your MBA. One day, your father (founder and chairman) tells the production manager (who reports to you) to change a manufacturing process that you implemented last week - without discussing it with you.

So what do you do?

Ignore Dad. He never listens and there's nothing you can do.

Speak with Mum about changing Dad's behaviour.

Shout at Dad, expressing your anger that he always overrides your decisions.

Talk patronisingly to Dad about the fact he doesn't understand the new-fangled technology you implemented.

Speak frankly with Dad and share how you feel about him interfering with your plans. Oh, and he asked you to professionalise the organisation, so the least he can do is to speak with you first if he has any concerns.

Calmly explain the issue. Maybe even apologise for not letting him know you were changing his old production process. Then arrange to meet Dad weekly and update him on all your planned changes.

Well, I never said it would be easy. And the last option, which is probably the best, is the hardest of all to achieve.

I do, however, have a few suggestions, devised together with my colleagues at INSEAD's Wendel International Centre for Family Enterprise, for achieving harmony. This then, is our recipe for what we business-school types call 'Fair Process'.

First, make a commitment to communication; that is, allowing all members of the family who are involved in the business in any way to have a voice. And remember that communication is a two-way process, which involves listening as much as it does speaking. Next, ensure that there is clarity at all times. Share information in an accurate and timely manner (for example, those weekly meetings with Dad that I mentioned above).

Now it's time to inject some consistency. You must uniformly apply agreements to all family members (for example, you should inform Dad of changes, just as he should talk to you before interfering). But at the same time be ready to change any rules and agreements (provided that there has been clear, consistent communication about the changes). Changeability is therefore the fourth magic ingredient of fair process.

Finally, blindly mixing together the four ingredients above is not enough. If you really want to ensure Fair Process, you and your family must create a culture of fairness. It must be a core value in everything that you do - as a business and as a family.

Now let's consider the real-life case of the Ambani brothers, Mukesh and Anil, who inherited 50-50 ownership of Reliance, one of India's largest companies, from their father. Both had worked together for many years with their father, but he had never chosen his successor or indicated how control should be divided between his sons. Alas, the father died, having failed in both communication and clarity, so there were no rules to apply consistently or change, let alone a culture of fairness.

The long-lasting feud that resulted is well documented. Suffice to say, it involved one brother blocking a major acquisition by the other - and a competitor

successfully taking over the company in question. In short, it caused the destruction of value for the family.

The Ambanis only serve to show what can happen if the boardroom wail of 'it's not fair' is ignored. The next step is to retreat even further back into childhood and tell yourself: 'I'm gonna beat my brother at all costs.' Without Fair Process, business strategy can fast degenerate into sibling rivalry.

Randel S. Carlock is Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership at INSEAD business school, which has campuses in France, Singapore and Abu Dhabi

Source URL <http://www.scmp.com/article/989465/how-bridge-great-divide>