

The 3 Triggers of Family Business Conflicts

Harsh Chopra

While news headlines typically tend to capture business conflicts in rich and famous families from Ambanis to Singhania to the Singh brothers of Ranbaxy, conflicts are just as common in the family of a chemist next door. Most family conflicts can be anticipated as the telltale signs are visible long before the eruption. The best time to take action is when the hairline cracks start to appear - not when they have widened and become unbridgeable. What actually happens is that most family members avoid discussion on contentious matters which could lead to unpleasant confrontations.



These 3 triggers account for the vast majority of family conflicts. Understanding them can help you deal with them.

Leadership Style of Founder:

The roots of a conflict often lie in the leadership style of the founder. In the first leg of the journey the founder operates with a top down leadership style and

micromanages the business and this works well. After all there is no one to delegate to. But this same leadership style which has brought him success does not work in the second leg of the lifecycle of the company. So the big question which decides whether the company moves to the big league or stagnates is: Does the founder have the flexibility and humility to change his leadership style from "Command and Control" to "Trust and Track"?

Sibling Rivalry:

Temperamentally siblings will never have the same drive, motivation and capability. But family tradition and hierarchy dictate that they be equally

rewarded. This works well until they get married. The spouses however have been raised in a different environment with different culture and values and they have parachuted onto the family dining table in their twenties and thirties. To them this equally compensation system when their spouse works much harder and is primarily responsible for running the family business, is not acceptable. Gradually this perception of unfair reward distribution starts eroding the relationship and often leads to a family split.

Another common problem occurs when the family hierarchy is in conflict with sibling capability. The eldest

brother or sister is often not the most capable but at the same time cannot accept the authority of a younger sibling because of public pressure and the humiliation of being seen as incapable of leading the family business.

Absence of a Family Charter:

Business Families see themselves as informal and fast decision makers. So their first response to the suggestion that they create a family charter is that it is pointless. "We understand each other perfectly. We can always sit down and work things out as and when they come up".

The reality is that the absence of a family charter is a leading cause of family conflict. Creating a charter

should be a collaborative effort amongst family members facilitated by an external advisor. The document needs to cover values, governance, management of business, criteria for induction and succession and philanthropy. A transparent, open brainstorming approach will foster collaboration, build a foundation of mutual trust and respect and lend weight to the rules set out in the charter.

(The writer is the founder of Partners4Growth, which consults to family managed companies helping them manage internal conflict. He also advises business families on Strategy, Structure & Succession Planning and is a speaker at Family Business Forums.)

Minister dedicates Rs. 1000 cr. worth projects to the nation

Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu, dedicated to the Nation 1000 crore worth of projects of the Commerce & Industry Ministry through video conference in New Delhi. The projects were inaugurated in 7 States and 2 Union Territories across the country. Commerce Minister inaugurated skilling Common Facility Centre (CFC) in Udupi, Karnataka and laid the foundation stone on CFC in Coimbatore, Tamil Nadu. Commerce Minister inaugurated two spices parks in Kota, Rajasthan and Raebareli in Uttar Pradesh. He also inaugurated National Institute of Design (NID) campus in Jorhat, Assam and Bhopal in Madhya Pradesh. IIFT campus was inaugurated at Kolkata, West Bengal and Maidangarhi near Delhi and Footwear Design and Development Institute (FDDI) in Banur, Chandigarh.

CII Real Estate Confluence 2019

Confederation of Indian Industry (CII) in association with ANAROCK Property Consultants Pvt Ltd is organising the CII Real Estate Confluence 2019 with the theme of Maharashtra Real Estate: Ahead of the Curve: Refine. Reboot. Re-emerge on March 15 in Mumbai.

GeM and CCI Sign MoU

Government e Marketplace (GeM) and Competition Commission of India (CCI) entered into a Memorandum of Understanding to enable a fair and competitive environment in the e-Marketplace. Chairman CCI, **Mr. A.K. Gupta**, CEO GeM, **Ms. S. Radha Chauhan**, Members of CCI, **Mr. U.C. Nahta** and **Ms. Sangeeta Verma** were present on the occasion along with officers of CCI and GeM.

Both CCI and GeM appreciate the importance of advanced analytical tools and processes for identification of malpractices like cartelization.

CII Business Delegation to Croatia

Confederation of Indian Industry (CII) is organising a Business Delegation to the Republic of Croatia from March 25-27. President **Mr. Ramnath Kovind** will accompany the delegation. The Indian business delegation members will get an opportunity to explore avenues for building strategic economic partnerships with Croatia in the areas of Tourism and Hospitality, Defence, Automotive, Railway Up-gradation, Shipbuilding, Machinery and Equipment, Agriculture and Fisheries, ICT & Consulting, Pharma & Biotech, Ayurveda, Energy, Paper and many more.

AP's new policy for stressed MSMEs soon

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once approved could greatly benefit MSMEs.

'The new notification in the draft stressed policy will act well before a unit becomes sick or is stressed. This policy aims to provide timely support to stressed MSMEs before they become sick' said **Mr A. Ramalingeswara Raju**, GM, DIC.

In the new draft policy the RBI criterion of 50% drop in net worth (for recognizing a unit as sick) is being brought down to 25% drop in net worth.

This policy also will not only support the revival of stressed enterprises but also prevent stress to the extent feasible said Mr



Raju.

'The government of Andhra Pradesh after careful examination of the proposal of director of industries, Andhra Pradesh here by institute a new

policy to mitigate stress and to revive stressed MSMEs titled stressed enterprises policy 2018-20. The operating period of this policy is with effect from the date of

notification and until March 2020' stated an official GO dated Jan 9th 2019.

Once notified this policy will cater to any existing MSME unit that is going through/has gone through significant losses or 'stress' will immediately be assisted in getting their problems addressed.

Tracking System

And in order to prevent stress in this sector a tracker system will be instituted to provide information relating to sector wise, region wise entrepreneurship rates, stress rates, exit rates. This system will be available to public so that entrepreneurs can make realistic assessment of the prospects of their envisaged ventures.

DIPC

The District Industries Promotion Committee (DIPC) which is chaired by the collector along with the participation of banks shall determine the eligibility of stressed enterprises under this policy.

Main Policy objectives:

- Instituting necessary measures to reduce stress in the MSME sector and promote the development of a healthy MSME eco system
- Preventing loss of employment due to stressed MSMEs
- Preventing loss of utility of investments already made in the sector

Cyber security: FICCI report suggests 5-point action plan for smart cities

VIS News Service

A FICCI-KPMG Smart City Knowledge Report on 'Cybersecurity in Smart Cities', has suggested a five-point action plan to enable smart cities to keep pace with the cybersecurity needs and build a cyber-resilient and trusted environment across

the entire value chain,

The report was released in New Delhi recently at the 3rd Smart Cities Summit 2019 – Urban Innovation & Future Cities Meet organized by FICCI.

Mr Shankar Aggarwal, Former Secretary, Urban Development, Ministry of

Housing and Urban Affairs, while addressing the summit, said that there was a need for establishing a mechanism, both at the government and private sector, to take decisions in time pertaining to the development of smart cities.

Highlighting the role of

start-ups in developing the smart cities, Mr Aggarwal said that start-ups could grow only if an eco-system is created along with liberal education system for startups to grow.

The summit was attended by over 300 participants from the industry, government and academia.