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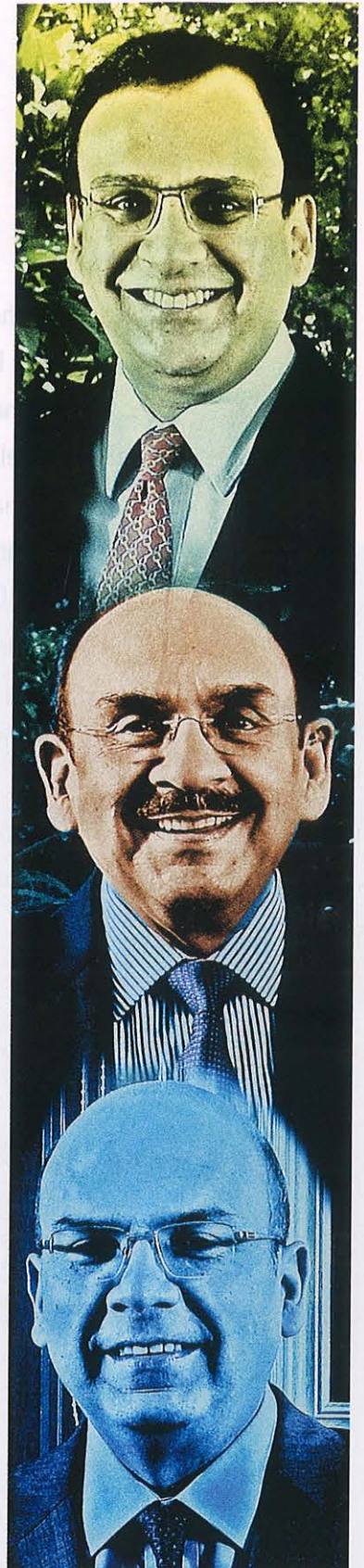
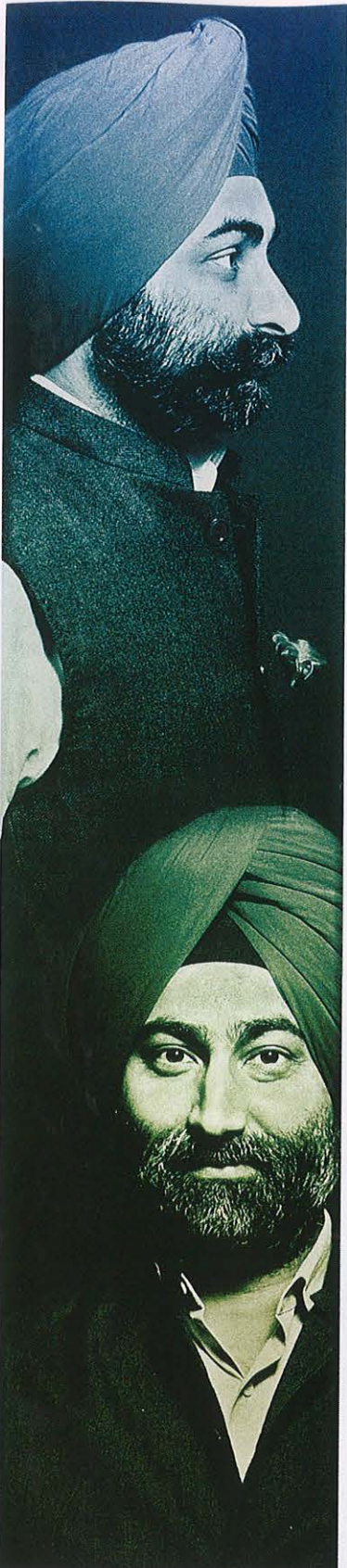


## INDIAN ECONOMY READYING FOR THE RACE

There are early signs of a revival. But the really good times are still some distance away



IMAGING BY N. RAVISHANKAR REDDY; PHOTOS BY VIVAN MEHRA SHERKHAR GHOSH



# THICKER THAN WATER

Five families behind four businesses show that blood need not necessarily be shed, that it is possible to thrive together.

By **SUVEEN SINHA** and **AJAY MODI**

**T**he families of Malvinder and Shivinder Mohan Singh, the brothers behind the Fortis and Religare companies, often go on holidays together. And more often than not, the brothers end up sharing a room. As they get lost in their conversations, their wives are known to jest that the "husband and wife are together".

The women have got used to it since they got married, two days apart, to the brothers. Shivinder and wife went to honeymoon in the Maldives, but not for long; they soon joined the other newlywed couple in Thailand. The brothers often dress alike, at times for board meetings, too, right down to the necktie. On one of those days it will take a careful eye to mark them apart by Malvinder's slightly wider jawline.

Shyam Bhartia of Jubilant group, 62, with his black hair and moustache, looks different from brother Hari, four years younger, who does not colour his salt-and-pepper beard and hair. All the three brothers of DCM Shriram – Ajay, Vikram and Ajit Shriram – wear spectacles, but that's where the similarity ends. The two Radhe Shyams, whose families control and run Emami, look similar only in the way all benign, bald, bespectacled old men look similar. Otherwise, they do not even have the same surname: one is Agarwal and the other Goenka.

And yet, the Bhartias, Shrirams, and Agarwal-Goenka are similar to the Singhs in that they have all stuck by the same recipe: strong family ties, harmony among wives and children, and seamless communication resulting in a thriving business that is showing no signs of strain.



The role of family businesses is indisputably significant. A third of Fortune 500 and S&P 500 companies are family-owned. Their ilk accounts for over 60 per cent of the US GDP. In India, 70 to 80 per cent of all companies are family-owned.

Among them, the five families of Fortis-Religare, Jubilant, Emami, and DCM Shriram present a heartwarming contrast to the all around upheaval. The harshest spotlight has been on brothers Ambani, whose feud painted all media red until 2011. It was only in December of that year that Kokilaben Ambani managed to bring her sons Mukesh and Anil under one roof in Chorwad, the Gujarat village where the Ambani saga began, and declare, "*Hum sab saath hain.*"

Many others have been worse off. The Mafatlal family continues to suffer from a prolonged feud that dates back to the 1970s. The Modi clan is

no longer mighty. Not all branches of the storied Birla clan are successful. The Bajaj family of Pune and the Kanwar family of Delhi have had their own share of internal battles. Why, even Malvinder-Shivinder's father, grandfather, and uncles generated their share of sound and fury before these two began to show how to do it right.

It is globally accepted that only a third of family businesses survive beyond the third generation. Our picks here appear poised to be part of the surviving, thriving one third.

There is no one formula for it. Leo Tolstoy had very different intentions when he said at the beginning of *Anna Karenina* that happy families were all alike. But his words ring just as true here. And just as layered. Beneath the surface, all happy and successful business families are happy and successful in their own way.

## THE MIRROR HAS TWO FACES

It is not just about the way Malvinder and Shivinder look. They really have more in common than not. The two have been together since play school, went to the same school and college, and – not surprisingly – have common friends.

Soon they will have one more thing in common. The corporate office they are building for Fortis on Gurgaon's Golf Course Road will have one large cabin that the brothers will share, albeit with separate desks and secretaries. Already they draw the same salary and the exact

Fortis Healthcare's stock price over the last five years: up **5%**



**Shivinder and Malvinder Mohan Singh:** They have more in common than not

Family businesses, in spite of their preponderance, are notoriously fragile. **Kavil Ramachandran**, India's foremost expert in the area, and **Wayne Rivers**, head of the US-based Family Business Institute, explain why. And, also, how to avoid splits.

*What are the thorny issues that arise between brothers running businesses together? How are they resolved? Or, do they prove impossible to resolve?*



**Ramachandran:** The issues could range from differences on strategic matters, like the speed and direction the business should take, to key recruitments, to investments. They could also be around differences in the style of management and decision-making processes. This is dynamic, too, when the business changes as also when people change after getting married or when they grow older. Resolution requires admitting that there are issues to discuss and resolve. A lot of these things can be anticipated.



**Rivers:** First, brothers in business together generally have a hard time holding each other accountable. Second, usually each sibling has a specific turf. The normal means for keeping peace in the business family is for me to look after my turf and you to look after yours with very little interaction between us. It's easy to see why this system - engineered to keep peace in the family - presents serious limitations to a growing business. The third issue is the introduction of sons and daughters into the business. Fathers are genetically predisposed to prefer their own offspring to their nephews or nieces.

same perks. Their company cars are the same make and model. Their houses face each other across the road. "Our salary is ours, everything else is joint property," says Shivinder.

And yet, he adds, they are different persons. "We approach the same thing differently and our interests are different." That, he believes, is just as well. "When everyone wants to do the sexy thing irrespective of their capabilities, it becomes a problem."

Depending on how you look at it, the brothers may have done the sexy thing twice over. First they made history of sorts by selling family jewel

those places worked and planned to bring modern health-care to India some day.

When Parvinder passed away in 1999, Fortis was still on the drawing board, with just a 500 square foot office in New Delhi's Connaught Place and a letter of intent to build a hospital in Mohali, near Chandigarh. Just before he died, Parvinder sold 50 per cent equity in the company to IL&FS. "Dad assumed Ranbaxy would be the golden goose," says Shivinder.

In July 1999, after the father's death, the two were travelling in a blue Toyota Land Cruiser on Delhi's Ridge Road when the conversation



Ranbaxy, set up by their grandfather Bhai Mohan and nurtured by father Parvinder into India's biggest pharmaceutical company with sizeable overseas footprint, to Japan's Daiichi Sankyo in 2008. And then they refused to spend the rest of their lives spending the ₹10,000 crore they made in the deal. They have made Fortis one of the largest hospital chains in the country, while Religare is a leading financial services firm. And they have done it by being different persons.

Fittingly, the idea of Fortis was conceived in hospitals, some of the world's best, to which the brothers took father Parvinder after he was diagnosed with cancer in 1997. As attendants, they observed the way

turned to Mohali. "We debated if we should continue with the hospital idea. Spontaneously and simultaneously we decided to do it. Events like these are life-changing moments," says Shivinder.

They bought back the 50 per cent from IL&FS, after coughing up a premium, and Shivinder got down to building the company from scratch. It grew from hospital to hospital, many of which were acquired.

Malvinder, meanwhile, rose through the ranks at Ranbaxy, working his way up first under D.S. Brar and then Brian Tempest, finally becoming the CEO in 2006. Then the brothers took all the eggs out of the golden goose in 2008 and Malvinder came to Fortis as its Executive

**Hari and Shyam Bhartia: They take all important decisions together**

Chairman, with Shivinder as the Executive Vice Chairman.

Now that both are together in the same company, leaving Sunil Godhwani to run Religare as the Chairman and Managing Director, they have each other's back. "I can take a break to sculpt six-pack abs, or take care of my son. I can shut my phone for a month. All because he is there. He can go on a world tour if he wants," says Shivinder.

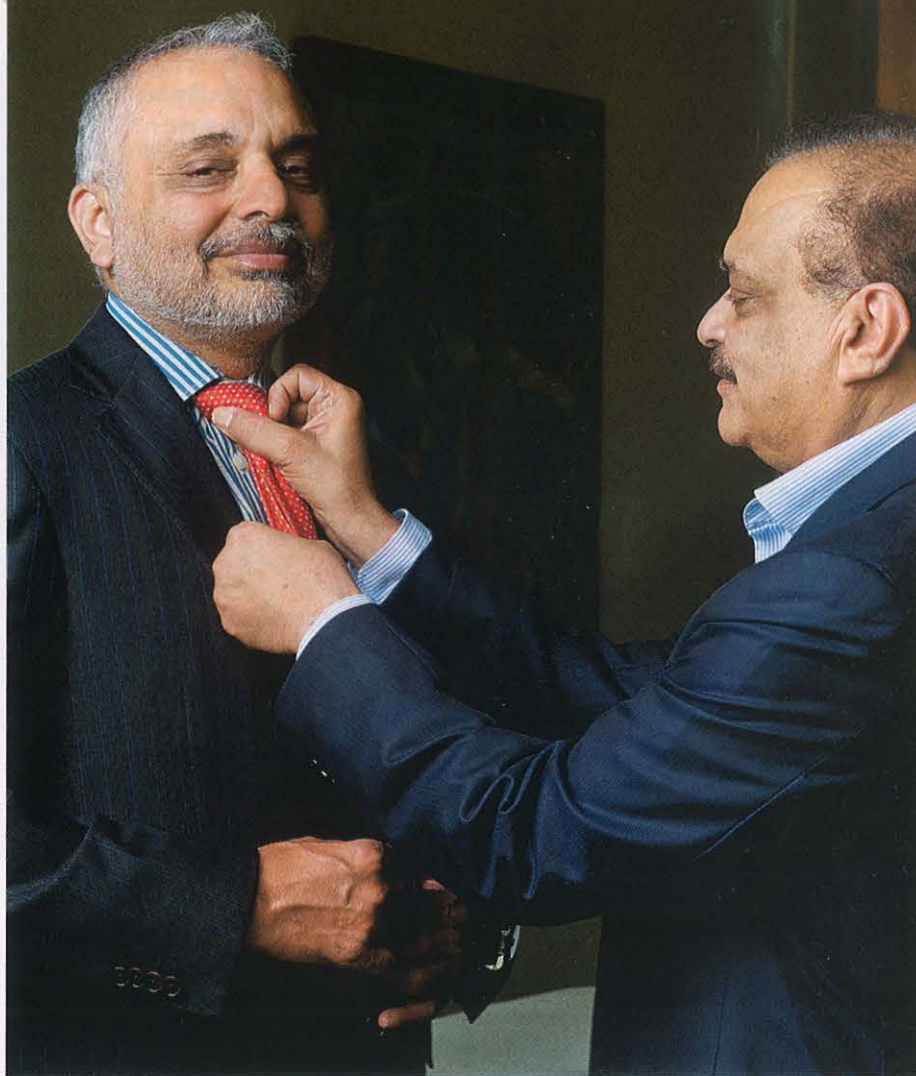
All strategic, growth-related, and resource-allocation decisions are taken jointly. "There won't be an instance where one of us takes a decision without getting the other on board. There are however many instances where we haven't taken a decision because we did not agree," says Shivinder.

Communication, formal and informal, is unhindered. Just the other day, Malvinder walked into office for a meeting to find Shivinder eating his lunch. The older brother delayed his meeting to catch up with the younger one. In 15 minutes, they had cleared up a few things and moved on: the older with his meeting and the younger with his food.

At some point they may want to have a written code, especially if the children – seven, among the two brothers – choose to come into the company. Then again, maybe not.

"The seven of them study in the same school. They don't need friends. For us the value of the family being together is important," says Malvinder.

Flowing communication, mutual respect and complementary skills are the ingredients that Pranav Sayta, Partner in charge of family businesses at consultancy firm EY, picks as critical to keep a business family together. "Individuals could have different strengths and interests," he says. "Some enjoy the limelight and being the public face. Others may be averse to it. Recognising and respecting these complementary strengths could be a win-win."



VIVAN MEHRA

## START-UP SPIRIT

**N**either Shyam Bhartia nor younger brother Hari seems to enjoy the limelight. Search Google News for "Shyam Bhartia" and you get exactly one result, a regular executive profile on *businessweek.com*. "Hari Bhartia" throws up a couple of results, both about him being part of a business delegation with several other industrialists. That despite Shyam's wife being newspaper baroness Shobhana, who runs HT Media. Hari is married to Kavita, a fashion designer, and was many years ago seen

at some Page 3 parties.

But in communication – a lot of it in Bangla; the Bhartias were among the early Marwari businessmen to settle in Kolkata – is as flowing as the English and Punjabi of the Singh brothers. And they share responsibilities just as equally.

"If a decision is taken, Hari and I own it jointly. It is not his or my decision. There must be no blame game if

Jubilant Foodworks' stock price over the last four years: up

**539%**

things go wrong later. That is the most important aspect of a relationship," says Shyam, Chairman and Managing Director of Jubilant Bhartia Group.

He at times takes the lead in a conversation of which both are a part. And though Hari addresses him as SSB, not as Dada, the expression Bengalis use for older brother, Shyam is the one who has shown the way from the beginning. So much so that Hari chose to tether his fortunes to Shyam and not to either of his two other older brothers: Ajay

told them to ask him any question concerning the company and after that if they were dissatisfied with this answers, they were free to express their opinion. After discussing the matter with Shyam they were so impressed that they immediately agreed to his managing the company. I always say of him, of course in a lighter vein, that he can make money from anything that he touches."

This was 1976 and the bankers' initial scepticism was understandable. Shyam came from a family that traded in steel wires and Rolex

took away India Glycols, another chemicals firm, and Ajay Insilco. Insilco later went into German company Evonik's hands.

Jubilant thrives, especially the food retail part of it. India is poised to become the second-biggest market for Domino's in terms of the number of stores, next only to the US, overtaking the UK. It is the largest chain of quick service restaurants in the country with 16 per cent share of the market.

They also made mistakes. Hot Breads, another food retail venture, turned out to be a cold turkey. And a foray into software proved to be too late. "You can't be successful in everything," says Hari.

Their visits to the dining table, though, are very successful. "The dining table plays a very important part in family businesses," says Shyam. "You learn a lot there."

The other place where they come into their own is their companies' boardrooms. The day-to-day operations have been left to professional managers. The brothers focus on strategy, long-term planning, annual budgeting, and mergers and acquisitions – together, just as the Singh brothers.

"We disagree many times. Every day. If there is a disagreement, the idea is to respect the other's opinion because our interests are the same. If we disagree we just don't do that business and don't regret it later. What is gone is gone," says Hari.

The two families take at least one vacation together every year. It was Cape Town last year. The next is due this December. This year's destination may be decided over the course of the dinners, birthdays, and anniversaries that keep bringing the two



and U.S. Bhartia.

For good reason. Look at what corporate icon Krishna Kumar Birla says in his autobiography: "My youngest son-in-law, Shyam Sundar Bhartia, is a very successful businessman. Starting from scratch, he established Vam Organic Chemicals, now called Jubilant Organosys Ltd. After the company was established, he approached financial institutions and banks for loans to put up the plant. All these financial bodies were hesitant to give loan to a company whose managing director was so young (Shyam was 25 then). Shyam then

watches. Vam Organic was to be in the very different area of chemicals.

After touching chemicals with Vam – the name of the company is the abbreviation for what it made: vinyl acetate monomer – Shyam moved into pharmaceuticals as Vam morphed into Jubilant and developed other interests like food retail – it is the franchisee for Domino's and Dunkin' Donuts – and oil and gas. All this while Hari, who joined Shyam at Vam after passing out of IIT Delhi, has been shoulder to shoulder with him.

The other two brothers separated in a family settlement of 1998. U.S.

**Often the older brother has the higher designation. Is that because of Indian family values? Is that an important factor in keeping them together?**

**Ramachandran:** The elder is normally the first entrant and occupies the more important chair. It's primarily cultural and in many families there is also a strong sense of consultation that makes hierarchy less relevant, particularly when they complement talents (like different fingers of a hand). The elder as well as the younger ones should feel comfortable both personally and professionally. The moment the quality of sharing drops, you can anticipate squabbles.

## ALL FOR THREE THREE FOR ALL

**D**CM Shriram has three principal shareholders and a formal structure. Ajay, Vikram and Ajit have gone on a "Brothers Retreat" every year for 15 years, where they spend time in sessions conducted by consultant Sushanta Banerjee.

"You open up, as you are out of the office mode," says Ajay Shriram. Banerjee holds one-on-one sessions with them before bringing all three into one room.

The retreat takes place between July and September. Its duration has increased from two days to four as business has expanded and one of the principles is that there should be no unfinished agenda. There was some once and the brothers, after returning to Delhi, spent a day at the family farmhouse to tie up the loose ends. Last year they could not go out of town for the retreat. So they checked into Leela Kempinski in Gurgaon for four days.

Among the exercises Banerjee sets for them is one in which each of the three brothers has to talk about what he thinks of the other two and about the areas causing stress. "We are put into a deep-thinking mode. It gives us balance and understanding. If family members begin to have differences, business is the first to suffer. We have differences of opinion; we are human beings. But we talk openly about them and sort them out," says Ajay.

The wives and children do not

Ajay, Ajit, and Vikram Shriram:  
They leave their egos at home

SHEKHAR GHOSH

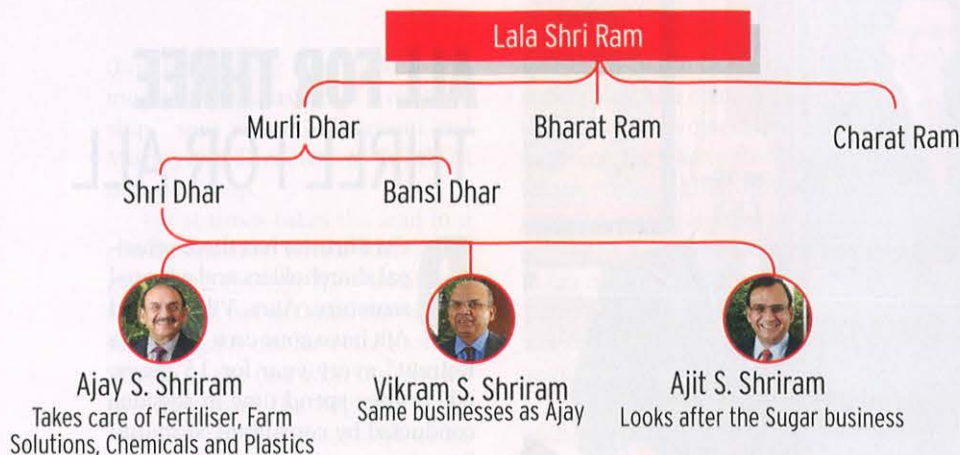
families together. The meetings with the families of the other two brothers are less frequent, mainly at weddings.

Just like the Singhs, Shyam and Hari, too, feel they can step into each other's shoes. In the corporate office, in one corner of Noida's Film-City, both sit on the same floor and freely walk into each other's rooms. For years they stayed in the same house. It was only 10 years ago that Hari moved out with his family. The children are almost equally attached to both. "They come to us with their ideas. We listen to them and guide them. The final decision is theirs,"

says Shyam.

Some of those decisions have led to entrepreneurial ventures in retail. Succession, though, is not something to worry about at this point in time. "The children are young. There is no definite plan but four of them will succeed the two of us. Theirs will also be a governance role and involve managing the businesses as shareholders," says Shyam. There is no business family council. "There are only two [principal] shareholders. We have not felt the need for a formal structure," says Shyam. And there is always the dining table.

**Rivers:** In the United States, it is often the case that the older sibling has the larger role or responsibility in the family business. The criterion for selection of who has the higher designation in the family business should be merit, not birth order, gender, or any other. In the US, we are seeing more and more often, for example, women becoming chief executives of their family businesses. That was not the case in the past. It is in the interest of everyone in the business family to have people of merit in positions of responsibility in order to preserve the long-term health of the organisation. If the business prospers, the family reaps the benefits.



DCM Shriram's stock price over the last five years: **up**

**327%**

## How critical is it for the brothers' wives to get along well?

**Ramachandran:** Very important, indeed. There is always a strong influence of the spouse on the perceived image of the partner. Families where the wives show emotional maturity, there will be no issues. Also, if they are busy with other things, there are much less of challenges. It also depends on the way the person holding the senior position in business and the spouse (read wife) make the other pair comfortable in social settings. Hence, smooth relationship among the wives is very critical.

**Rivers:** It's not critical, but it is most helpful. It depends on how much the spouses are willing to assert themselves. We have a cliché in America: "The squeaky wheel gets the grease." Often spouses become influential in family business matters not because of the merit or strength of their arguments but simply because they are assertive, and others in the group seek to appease them. Certainly there's nothing wrong with a wife or mother advocating for her husband or children in a family business setting; however, mere assertiveness or attempts at dominance should not be rewarded. Reiterating my previous point, merit should be the deciding factor when advancing family members of any generation.

come to this retreat. For them there is the annual holiday the three families take together. There are also periodic dinners.

"The point we have been addressing consistently is that the next generation is more influenced by external factors. We make efforts to share our experiences of growing up with them," says Ajay.

The next generation also spends time in training at the factories. Discussions are still on about how to get them into the family business. For now, each brother makes a conscious effort to spend time his nephews and nieces. When Ajay's son got married, it was difficult to pick out the cousins from the siblings. The house in which Ajay lives now was found by Vikram in 1992.

According to Vikram, the brothers leave their ego at home before walking into their offices, which are on the same floor in the Kanchenjunga building on New Delhi's Barakhamba Road, and have lunch together as often as they can. "We swim together and sink together. The wellbeing of the company is supreme."

Ajay, 60, and Vikram, 55, also did all media interviews together until this year, when Ajay became president of the Confederation of Indian Industry and had to make public appearances on his own. Ajit, 13 years younger to Ajay, has always been less visible.

Ajay says it is one of the challenges of family businesses to bring everyone on board. "It takes longer, but is worth it."

Technology helps. The three brothers share their calendars on the mobile and have a Whatsapp group. "Suppose Ajit is meeting someone and I have something in mind, I brief him since I am aware of his appointments," says Vikram. "Our biggest strength is the ability to talk openly."

All family assets are owned jointly by the three with their mother. The family kitty provides housing, education, and medical care to all three families and pays for marriages. There is a written constitution that lays down the value system, objectives, expectations from youngsters, and so on. The Family Council meets once every four months.

Ajit came into the company after DCM Shriram took shape in 1990 after a split in the fabled DCM family. For the next seven years, he learned the ropes at the factories, away from the corporate office.

Not surprisingly, he does not want to step on his brothers' toes. But he has his own wisdom about business families. "Families try to part ways when the goal is not common or when the wives influence the husbands," he says. "In our case the wives do not have any idea what goes on in office."

## WHAT'S IN A SURNAME

**T**he people behind the Kolkata-based Emami have no qualms about their women playing a role in the family business, although so far it is a daughter who has come in and not yet a daughter-in-law. But then, this is a family with a difference. It is actually two families that look like one.

The company's founders, Radhe Shyam Agarwal and Radhe Shyam Goenka, met 60 years ago in school. They have not only the same first and second names but also the same birthday, January 6, though the 1946-born Agarwal is a year older to

Goenka. They are not related by blood, yet their ties are no less thick. And the ties remain just as strong even as the next generation takes charge of the businesses.

Agarwal's sons, Aditya and Harsh, and daughter Priti Sureka take care of the group's businesses in tandem with Goenka's sons, Manish and Mohan, and nephew Prashant. Every business vertical is run jointly by an Agarwal and a Goenka. All of them have the same designation: director. The exception is Emami's real estate business, run by Raj Sureka and Rajesh Bagaria, the sons-in-law.

Sureka is married to Priti and Bagaria to Goenka's daughter Rachna.

Manish Goenka and Aditya Agarwal take care of health-care, edible oil, paper and cement. "We went to the same school and college and have been taking care of a common vertical since our first day in business," says Manish.

He and Aditya have different cabins in the 10-storey Emami Tower on Kolkata's E.M. Bypass road. They used to sit in the same cabin before moving into this building. In the new building, their cabins have just a glass wall between them.

*What about dealing with the brothers' children? Have you found that to be an issue, as young personalities and aspirations are added to the mix?*

**Ramachandran:** This is not an issue if the senior-level relationship is fairly good. In several cases, the youngsters have taken the lead to smoothen the relationship at the senior level. Finally, what they all discuss about each other is very important. It is like any other normal non-business family.

**Rivers:** A factor that contributes to difficulty in dealing with siblings' children is that age differences grow as the generations expand in the family firm. For example, three siblings in business together would rarely have an age variation of more than 10 years. Their children, however, could easily have an age variation of 20 to 25 years, and a third generation entering the family business can have an age variation of up to 40 years. The assumption is that each generation of family business owners will share the same goals and aspirations for the company. That's rarely true when one owner in question is 70 years old and another 40. It's quite difficult for them to share the same goals.



SHEKHAR GHOSH

# Emami's stock price over the last five years: up **407%**

One of the two cabins is empty most of the time, because either Manish is sitting in Aditya's or Aditya in Manish's. "We used to sit at the same desk in school," says Manish. They often go on business trips together, many of which these days are to Chhattisgarh, where the two are setting up a cement plant.

When they look out of their cabins, they can see the other four family members, all of whom sit on the same eighth floor of Emami Tower. "We have lunch together. If one is hungry he waits till the others get free. There are times when five or six of us take

one car back home," says Aditya.

Loud voices can emanate from that car, or from the lunch room, because the promoters believe in expressing their opinions freely, which are at times different. At times there are heated arguments, but the decision is always unanimous.

Communication among the second generation is good, but they have still not caught up with the two founders. "If you share a piece of information with Agarwal uncle now, you can be sure that my father will have it in the next 15 minutes," says Manish.

The two families have equal equity holdings in every venture. There is a Business Council that includes the promoters, senior executives of the groups, and some consultants. It meets once a quarter to take stock of businesses and approve investment proposals. There is also a Family Council that has put tobacco and liquor on the list of taboo businesses. Members of the two families cannot invest in stocks or real estate in their individual capacity.

Both families regard Agarwal senior as the head, though both he and Goenka senior together keep a



(From Left) Mohan Goenka, Aditya Agarwal, Prashant Goenka, R.S. Agarwal, R.S. Goenka, Manish Goenka, Harsh Agarwal, and Priti Sureka: This is one big happy family



## Was the Ambani brothers' break-up avoidable?

**Ramachandran:** Yes, of course. There was no mechanism to keep the business matters separate from family matters. The brothers should have recognised that there were differences of many kinds between their wives which could affect their own relationship. They should have consciously kept the business relationship separate from personal issues. That was easily possible because the business had already grown so big and they could have managed the empire without personal involvement in operations. They should have developed strong governance practices in family and business.

**Rivers:** I know comparatively little about the Reliance Industries story other than that it was a phenomenon in India. Speaking generally, not all sibling partnership break-ups are avoidable and some are, indeed, quite wise. Often, in hindsight, family members should never have been in business together in the first place. Family pressures sometimes forge partnerships where none would've existed in the absence of the family pressure. The saddest stories are those where a once loving family is torn apart by the pressures of business. Preventing it requires intentionality and hard work. The good news is that there are tools and resources to help them.

benevolent eye over the families. "If I have to go on a business trip, I seek permission from Agarwal uncle," says Manish. If Aditya asks the cashier for money, he gets a call from his father to know the purpose. "If my wife has to buy jewellery she needs approval from Goenka uncle."

The Agarwals recently moved to a new house in Kolkata's Ballygunge area. All the expenditure on this house was approved by Goenka. Goenka also approves everyone's salaries.

"I talk to Agarwal uncle more than to my father. As kids, we used to think that our father and Agarwal uncle were brothers," says Mohan.

The two families meet every alternate Friday to review businesses. They take a holiday together every Dussehra, all 50 of them. One of those days is the women's day out. That day the men prepare a four-course meal. "Business battles, like most other battles, take place when you want to take," says Agarwal senior. "If you start giving, there will be no fights." The group, he says, employs 27,000 people, but has never faced labour trouble.

Trouble came from a different quarter. AMRI Hospital, in which Emami Group is the largest shareholder, caught fire in December 2011. Eighty-five patients and four

staff members died. West Bengal Chief Minister Mamata Banerjee swung into action against the hospital's directors. Emami's two founders were jailed, though Agarwal was put under police custody in hospital due to his fragile health. Manish and Prashant, too, were put behind bars.

For six months no one from the two families attended office, not even Goenka's son Mohan and Agarwal's son Harsh, who were not directors of the hospital and therefore not arrested. "It was unbearable to see all the cabins on our floor empty. Business continued as usual but my focus was on the case," says Mohan. By the time the arrested got bail and normal business resumed at Emami Tower, six months had passed.

Such tragedies can test and strain bonds among families, but these two stayed together. Throughout the case, which is still open before the Alipore court, the two families have had the same lawyer.

Agarwal's daughter Priti says the two families share a bond stronger than blood. "A husband and wife won't discuss things the way the two founders do," she says, sounding quite like the women do when Malvinder's and Shivinder's families go on holidays. ♦

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