M DAMODARAN

Not My Way or Highway, the Family Has a Clear Runway

Enduring business families have built enterprises not on greed, but on what they could contribute to society: Sebi ex-chairman

Team ET

The popular image of a family business being run by an all-powerful patriarch is largely misplaced. Instead, India's most successful family-owned enterprises identify individual strengths of family members, plan succession early and rope in the best professional talent, said M Damodaran, former chairman of the Securities and Exchange Board of India.

Speaking at the ET Family Business Awards in Mumbai, the former bureaucrat, who has worked with company boards and managements over the years, said those outside family businesses often assume they are run by a dominant leader whose philosophy is "my way or the highway."

Damodaran's observations over the years are entirely different. "These are persons who have the ability to recognise what the rest of the family members bring to the table, what their strengths are, what their areas of improvement are, what roles can you assign to these persons so that the family and the business benefits," he said.

Family businesses often have clearer succession planning than many professionally managed companies.

"Succession planning is not done very well in many of the so-called professional-led companies. It is just one item on the agenda of the NRC (nomination and remuneration committee) often," Damodaran said. "It is when a vacancy arises, or it is about to arise, that people sit up, take notice and say that chair is going to be vacant, we need to slot somebody in there."

In contrast, families have a clear plan of who will move into which position when the founder or the patriarch decides to call it a day, he said.

"Founders know best when to step aside," Damodaran said. "They know exactly when it's time to leave. They don't overstay their welcome."

Damodaran warned against greed and emphasised that enduring business families built their enterprises not on greed, but on what they could contribute to the economy, society and humankind. "If you take a dictionary and if you find greed, turn three pages, and you will find grief. That distance is not very much. Greed will take you there sooner or later," he said.

(L-R) Yatin Shah, Co-Founder, 360 ONE; M Damodaran; and Karan Bhagat, Founder, MD & CEO, 360 ONE, launch 'Lasting Legacies', a handbook about how founders design their future