## Interview with Sampath Durgadas

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*In November 1998, Paul I. Karofsky visited with several family-owned and -managed businesses in India. The powerful cultural and family influences on family-owned enterprises sparked his desire to interview Sampath Durgadas, a visiting professor and consultant to family businesses at the Institute of Management in Bangalore. Over a 12-year period, Mr. Durgadas conducted extensive experiential research on the nature of transition in three family-owned companies. Although the focus of his work is on the four South Indian states of India, he traveled widely throughout the country. His book, entitled* Inheriting the Mantle: Managing Succession in Indian Family Business, *is under publication by Sage Publications New Delhi.*

KAROFSKY: Sampath, please tell us about your educational background and professional training.

DURGADAS: I did my bachelor's degree in engineering at the Indian Institute of Technology (IIT) Madras from 1966 to 1971. After that, I finished my postgraduate degree in management from the Indian Institute of Management Ahmadabad. For the next 12 years, I worked in family-run organizations at a managerial level. I became a managing director of a public limited company. During this period, I completed an internship and became a professional trainer with the Indian Society of Individual and Social Development (ISISD). In the last 16 years, I have been a practicing family business consultant and worked with three large South Indian family firms.

KAROFSKY: How did you decide to become a family business consultant?

DURGADAS: I was influenced by the work of a professor of mine – Dr. Pulin Garg of ISISD. Dr. Garg's work as a consultant and his experiential study of Indian organizations impressed me strongly. Also, I realized that the Indian industry was fast adopting the task-based theories of the West and discarding the relatedness-based practices of Indian entrepreneurs. For our Indian culture, I believe we need a synthesis of both the eastern experience and the western work-based culture. I thought it would be very challenging and creative to incorporate this synthesis into consulting to Indian family businesses.

KAROFSKY: How did you go about entering the professional field?

DURGADAS: Before starting to consult, I was the managing director of a leasing, hire-purchase (the Indian form of financing an asset, like leasing), and finance company. As a consultant, I worked closely with owners, helping them to improve their financial positions through operational and strategic solutions. As they saw positive results from my work, they developed confidence and trust in me. Gradually, they allowed me into the family and shared with me the real issues, treating me almost like a family priest. In the process, they allowed me to try new ideas and theories even though they did not fully comprehend them.

KAROFSKY: What are the roots of the Indian management culture? Is it religious or based on any family cultures?

DURGADAS: The roots of Indian management culture are anchored in three systems of the agrarian society: caste, jajmani, and panchayat. The caste system differentiated between four functional classes and created the societal layers. Four castes are Brahmans (thinkers), Kshatriyas (aggressors and protectors), Vaisyas (traders), and Sudras (workers). Even today, Brahmans prefer the role of consultants and professionals. The best salespeople and army men come from predominantly Kshatriya communities. Most of the businesses are started and run by the Vaisya community. There is a high political consciousness about the rigid stratification and the dysfunctionalities that have stemmed from this, and changes are taking place, albeit slowly.

The second important anchor, the jajmani system, defined the transactional norms among the various societal layers. All economic transactions were mutual and oriented toward "I will take care of your needs and you should take care of mine." For example, a potter would supply pots to all of the people in the village, and the farmer would take care of everyone's grain needs. It was not a barter system of exact "value for value."

The third system, the panchayat system, was aimed at bringing equality to the various castes. Panchayat was a group that acted as the arbiter for all the community disputes and consisted of one person from each community and a neutral social leader revered and respected by all the communities.

Thus, the triadic anchors were task groupings based on differentiation, interfacing norms between role layers, and a lateral process for bringing in equality in handling disputes.

When a progenitor started an enterprise, he was able to offer all of these three modes by following the familial system of "joint family." Like the caste system, this system defined rigid roles for the members. He also created clear role differentiation between the roles in the organization. For example, his brother who started as a person who looks after the cash box (an accounting job) would continue to do so throughout his career in the business. This was a very important and a prestigious role. In the same way, all the other jobs had clear-cut status and role definitions attached to them. There were no task-based lateral linkages between the roles. All of them reported to the founder. He was the one who brought in the lateral linkages. He defined the protocols between the roles and the interaction and transaction norms, borrowing from the jajmani system, which defined the linkage norms between the various societal layers.

The members of the organization believed in his impartiality and came to him whenever they had any disputes. His judgment was considered to be "Solomon's judgment" or the judgement of "Panch parameshwar." The members of the institution treated him in a manner similar to how a villager would treat a panchayat leader and his pronouncements. He was seen as the person who is fair and brings equality between various role holders, despite their status. In this process, he brought in a psychological equation between various role layers.

KAROFSKY: What are the issues of greatest concern to Indian family businesses?

DURGADAS: The issues are: handling the complexities of both family and business realities, responding to the globalization and entry of multinationals, attracting and retaining good professionals, planning for business succession and estate planning, creating enough business entities to accommodate all family members, training family members, and handling nonperforming family members. The family realities pulled the organization to accommodate the viewpoint of various family members. A common assumption prevalent is that every able-bodied family member has the right to join the organization with a proprietary attitude and very few task responsibilities. Family realities played a much greater role than the business realities. As long as the old man was alive, everyone obeyed him because of the joint family ethos of obeying the eldest. After his death, it was always a power struggle. The family and personal egos often determine the way the organizations get restructured. Whereas, perhaps, in the western scenario, a task-oriented logic could bring in some logical settlements.

KAROFSKY: When I was in Delhi, Calcutta, and Madras, I heard stories that demonstrated differing values within India. Please tell us about these.

DURGADAS: South Indian family businesses are by and large conservative. Rather than borrow from the market, they will use their own funds. They are very worried about the business going out of their hands. They regard their word as equal to a sealed contract and are very concerned about the family image. Within these businesses, there is a very low spending culture. Even the owners are very thrifty and expect the managers to be the same. For example, Venugopaal, the chairman of the Savorit Group, will not stay in a five-star hotel unless he has to meet an important person. The value system of a Bombay-based business is close to that of the western economic model. They are very profit and result conscious and have a very strong work culture.

The Delhi-based families have a high spending culture and like to live life. They take risks and will leverage their capital and borrow much more than other enterprises. They are quite ambitious and are very enterprising in technological innovation. Their value systems are more based on external visibility factors.

In contrast, the family businesses in the East have a different culture. Calcutta has always basked in its past glory. It was once said that what Calcutta thinks today, the rest of India thinks tomorrow. Today, most of the family groups in the East are going through very difficult times. Few East Indian groups have been able to establish a good working culture. They are focused on social status and good living.

KAROFSKY: How would you describe the starting of family firms in India?

DURGADAS: Many of today's industrialists were active in the freedom struggle in the preindependence days. After independence, they decided to quit politics and contribute to the economic well-being of the state. Some started businesses as a challenge against outsiders' economic dominance in the state. An example is the Srinivasa Chettiar of the Savorit Group. The largest groups existed from the British colonial days.

The founders were traders, distributors, or retail shop holders. They started their companies either with the trade surpluses from the joint family business or by pawning their wives' jewels and borrowing at exorbitant interest from money lenders. Some were fortunate enough to get support from banks, financial institutions, and their families. Many of these entrepreneurs were strong individuals who established business cultures that were expressions of their identity. These progenitors established a family-like atmosphere in the organization. They were also dominant, charismatic individuals who strongly guided the direction and success of their organizations.

KAROFSKY: How did the family become involved in the business?

DURGADAS: All involved their family members, first brothers and later their sons and nephews. Their brothers were involved as partners in the business. The progenitor would control the utilization of resources. The brothers provided the supporting structures and management. One brother would look after finance and general administration and the other production and sales. The brothers operated as a tandem team complementing each other. There was a high degree of faith between them. These progenitors created a large family-like setting managing through the force of their characters. Family executives loved and feared the man for whom they worked.

KAROFSKY: What about the entry of family members? Was it assumed that children would join the business? What about spouses?

DURGADAS: The nucleus of the money came largely from the kitty of Joint Hindu Family [a separate taxable entity in the Indian corporate system], and along with it came the compulsion of including the members of the family [a daughter cannot be a member of the corporate entity, the assumption being that they get their share in the form of dowry during marriage]. Even today, many business families live in the same household. The women were generally confined to home and male members were not encouraged to talk about business with them. However, some spouses did join the business, and many started their own separate businesses, for example, Harita of the TVS family and Natasha of the Escorts family.

The second generation is seeing changes in these patterns. Many younger generation members are technocrats who are moving away from the traditional systems (e.g., Infosys). These professionals may or may not base their business on joint family resources and many prefer to live in nuclear households. Women of the younger generation are highly educated in technical or managerial fields and are assuming leadership roles in many cases (e.g., Ms. Mallika of Sivasilam Group). Only in the next 10 to 15 years will we know how the organizations started by nuclear family members perform.

KAROFSKY: Tell us about the transition of ownership and leadership to the next generation. Do the senior-generation members of Indian family businesses plan for succession?

DURGADAS: Unfortunately, most of the owners have followed the principle "once an owner, always an owner." They do not know the art of training and letting go to make room for the next generation. Many of them plan for succession, but do not prepare themselves or the organization for this transition. The mode of preparation used by many is to send their sons to a business school. This was not the model followed by the preindependence-era entrepreneurs. The first son of the progenitor would usually be the chosen successor. He had to work in the business for many years before he was handed over the mantle.

There have been many corporate fights between father and son on the issue of ownership and leadership. One issue that arises is that the progenitor does not know when to quit. Another problem arises when the younger generation wants to do things in a hurry and discovers that the older generation is very slow to respond. Occasionally, the older generation leaves or is made to leave to give way to the new generation. More often, the older generation prevails, as hereditary leadership is an accepted characteristic of family business. Many progenitors retain the position of chairman and involve themselves only when complicated family issues have to be resolved. In the new technology-based growth industries, the progenitor is often found leaving all decisions to the younger generation as he is clearly out of depths with the evolving realities both in terms of technology and the fast-changing market.

KAROFSKY: What are the commonly prevalent succession patterns in India?

DURGADAS: There are three distinct succession patterns in Indian family business. One is where there is a cohesive culture due to the presence of a strong leader. The progenitor had the vision to partition the resources between family members and to implement a succession plan well in advance of his demise.

The second pattern is where the organization is going through a massive transition because the progenitor has not prepared himself or the organization sufficiently for the struggles ahead. In this culture, there is often a battle for control. The second generation struggles with uncles, siblings, and other family members who, in the absence of the progenitor, are pulling the organization in various different directions. One of the struggles would often be a conflict between the family-like atmosphere, which represented the soul of the organization, and a more rigid results-oriented culture.

In the third pattern, the organization has gone through these struggles and has emerged as a professional task-based organization integrating some of the functional and traditional family principles. Organizations like WIPRO are able to blend in traditional eastern and modern approaches to family business.

KAROFSKY: Is there a formal "retirement" for members of the senior generation?

DURGADAS: By and large, the retirement from active involvement coincides with the senior-generation leader's physical inability. This is changing with the new technocrat generation.

KAROFSKY: What do Indian family businesses see as the greatest rewards of working with family members?

DURGADAS: The Indian identity is more anchored on social relatedness than task relatedness. Good relationships within the family are highly valued. Even today, a family living in harmony is a matter of status.

They find that control of the business does not go out of the family's hands. The attitude is that even if I don't enjoy, after all it is my brother who is enjoying the fruits. They feel that they can trust family members more than nonfamily members. If there is some breach of trust within the family, they believe that because they are family, they can work out the issues at an opportune time. Further, there is a sense of comfort that adjustments and compromises can be made as necessary because they are a part of a family – even if it is at the cost of business efficiency and effectiveness.

KAROFSKY: How are issues in family business currently being addressed?

DURGADAS: Business strategy issues are addressed effectively through the help of consultants. Unfortunately, families are still wary of going to an outsider to discuss family issues because of family pride. They do need skilled family consultants to help work out the issues and create new balances in the family.

KAROFSKY: Is there some advice that you wish to offer other consultants and educators who may work with Indian family businesses?

DURGADAS: Typical Indian family organizations prefer first to build a community of well-being before dealing with a task. Thus, pure task knowledge alone will not gain someone entry into an Indian organization. The person will have to become a pseudo-family member and will have to truly identify with the family cause for the members to open up and discuss the real issues.

The most important thing would be to gain membership into the family through the ability to relate and build confidence and trust. There are matters of confidentiality that the consultant/educator will never be able to reveal to outsiders because of family pride. Consultants/educators need to understand how a joint Hindu family works. They need to work as a tandem team with someone who is able to complement them inside the organization. Consultants/educators need to understand that before decisive changes are made, time must be taken for the family to arrive at a group consensus on decisions.

The consultant/educator will have to act as a neutral umpire and get involved in the family disputes and behave like the panchayat leader. For this, the consultant/educator needs to learn to respect the members of the family and their wisdom and not collude with their emotional entanglements.

I was associated with a company where two brothers of the progenitor, their five sons, and a son of the progenitor collectively ran a family business. All of them consulted me individually on matters dealing with their own struggles and stakes in the organization. They knew fully well that I would not say anything to others about their conversation with me, which will affect their personal interests. They would also listen to me when I told them that they were wrong in their assessments about issues. They trusted my impartiality and the sanctity of the role that I held. This is typically the sanctity associated with the role of a panchayat leader.

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