



Mixed Doubles

Published: In Corporate Dossier: Economic Times, on 21th May 2010

One of the early graduates of IIM-Ahmedabad, Rekhi has been with the UB group for 38 years. Hired when the late Vittal Mallya ran the company, Rekhi became executive assistant to Vijay Mallya when he joined the business at the age of 25. "There was very little age difference between us at that time, so we got along very well," he says.

Rekhi has worked with Mallya for 30 years now and obviously has his complete trust. He also has a fair stake in the company, through ESOPs. But when it comes to the really big decisions, such as the acquisition of Shaw Wallace and Whyte & Mackay, he says his role is marginal. "Vijay Mallya is a consummate businessman. For the big acquisitions, 80% of the decision was his," he says.

Like Mallya, Harsh Goenka has appointed professional CEOs to all his group companies while retaining the position of executive chairman. He says the objectives of the promoter and CEO should ideally converge, but admits that's not the case in many companies. "At RPG, we try and ensure the CEO is less differentiated from the promoter," he says. "I look at aspects related to shareholding, control, corporate governance, policy, long term planning and performance management. CEOs own all other fields."

Ramesh Chandak has been with the RPG group for 20 years and is currently managing director of KEC International and president & CEO for the infrastructure sector at RPG Group. He says the area of shared responsibilities is usually entrepreneurial vision, but that need not cause problems. "I work with the group Chairman to give shape to long term strategy, budgetary targets or any sort of a strategic decision. Once that phase is complete, my authority as the CEO is absolute. The responsibility for the key result areas lies with me."

Goenka says Indian companies empower their CEOs to a greater extent than MNC subsidiaries: "I myself was Chairman of the Indian arm of an MNC once and I found most decisions — including routine press releases — had to be cleared by the corporate

communications department at headquarters. When professionals join Indian companies like ours, they actually enjoy much more trust."

Be that as it may, MNCs have one advantage in that they have no visible owner. Everyone is a professional here and in today's globalised world, there need be no glass ceiling for executives who want to make it to the top of the global hierarchy. On the other hand, owner- managers and professional-managers really are distinct, notwithstanding efforts to try and merge the identities.

For one thing, the owner's passion and involvement in the company tends to be higher than that of the professional CEO, even if they have been with the company for a very long time. "A professional should not try and compete with the promoter, not try and be like the promoter and not try to upstage the promoter. There is a difference between a professional manager and an entrepreneur promoter," says Santrupt Misra, CEO, carbon black business and director, group HR, at the Aditya Birla Management Corporation.

Misra worked in Hindustan Unilever prior to joining the Birlas and he pithily summarises the difference between working in an MNC and a family business, saying, "MNCs can see shifting loyalties but there is no such luck in a promoter led company. A promoter is semi-permanent whereas the chairman in a MNC is time specific."

Ramchandran's study uses tennis as a metaphor for the owner-CEO partnership. The promoter is like a seasoned singles player, he says, while the CEO is a doubles player. When the game is on, the two sometimes leave a part of the court uncovered and sometimes try to cover the same area at the same time. As any tennis pro might tell you, the more the uncovered and overlap areas, the greater the chances of loosing.

Most owner-CEO duos manage to reduce the area under no-man's land over time. But how much can be managed at the onset? Prasad Medury of Amrop,



who has wide experience in recruiting CEOs for family businesses, says, "It's desirable that autonomy issues be brought into the discussions early. But candidates don't think of such a discussion as appropriate and owners often assume the candidate implicitly understands the limits."

Issues relating to promoter-professionals have become so universal — and pressing — that organisations like CII have stepped in to help. Arun Bharat Ram, chairman of SRF, headed the CII's Family Business Network (FBN) Committee for three years, organising a number of workshops where global experts would counsel owners. He says: "First generation entrepreneurs are usually so focused on growing the business that they find no time for family issues. But when their sons, brothers, nephews, cousins enter the business, they bring their own baggage of aspirations and consequent tensions. The promoter needs to be sensitised to this issue."

Inspired in part by the CII workshops, G M Rao, chairman of the GMR group, created a 'family constitution' to lay down the rules of engagement among family members and between family and professionals. PM Kumar was a consultant to this process and has since joined GMR as executive director, group corporate development. He says: "The promoter- CEO relationship is like that of a pilot and co-pilot rather than that of an employer and employee

or boss and subordinate. How much risk the promoter can take through delegation depends upon the nature of business and capability of the CEO. Only mutual understanding can make the relationship flourish. The process is glacial and not abrupt."

India Inc actually offers numerous examples of highly capable CEOs to whom the owners have willingly handed over large tracts of no-man's land. This, however, can cause some heartburn among other members of the family who might resent the power of the professional CEO. "This is one of the important issues that owners have to address," says Bharat Ram. "In our workshops, we stress that they have to induct the younger generation in a way that they do not come into conflict with the professionals. No business can succeed if the professional managers are unhappy."

At Patni Computer Systems, 33 year old Anirudh Patni, the Wharton and MIT-educated son of chairman Narendra Patni, was designated senior vice-president in charge of strategy when Jeya Kumar joined as CEO. He resigned within a year of Kumar's appointment. But not all such relationships need end in separation. At United Spirits, Rekhi is busy inducting Vijay Mallya's son Siddharth into the company and he's having no problem at all. "He's the third generation of Mallyas I've worked with, and we get along famously," he says.