Tata vs Mistry a textbook case of the need for a resonant leadership, shared vision

The battle between Tata Sons Ltd and Cyrus Mistry continues into 2017, more than a year after it commenced with Mistry's ouster as chairman of the group holding company. While the final outcome of this battle is anyone's guess, the moot question remains: How should family businesses plan for effective succession and what are the leadership lessons to be learnt from the Tata imbroglio?

The Tata group presents the paradoxical case of a large professionally managed Indian business group, not being led by a direct descendant of Jamsetji Tata—the founder of the Tata group—in recent times, and yet firmly associated with the Tata family legacy and Tata values. Ratan Naval Tata (RNT), appointed Jehangir Ratanji Dadabhoy's (JRD) successor in 1991, was the latter's adoptive nephew. On the face of it, RNT's succession plan in 2012, involving Mistry, seemed fool-proof. Mistry, though an outsider to the Tata family, was the scion of the family that was Tata's largest private shareholder. Further, he had knowledge of the Tata management's style and functioning, having spent six years working as a Tata Sons director prior to his being appointed as RNT's successor.

The Tata succession plan symptomizes most family businesses which concentrate largely on the business aspects, to the exclusion of the dynamics between the family and family business interface. It also points to the peculiar leadership challenges faced by family businesses which have been led by strong patriarchs for extended periods. At the heart of a successful transition of leadership, especially in a family business, is creation of a shared vision by a leader who exhibits 'Resonant Leadership'.

Richard Boyatzis and Annie McKee, in a book published in 2005, described resonant leaders as those who inspire people in their organizations, institutions and communities. Such enduring leaders find new opportunities, create hope through building relationships with those around them which are in tune with the others and thus help create a shared vision.

The creation of a shared vision has been identified as the driver of sustainable change. However, such a shared vision is easier stated as an objective than achieved.

Research in the area of Intentional Change Theory (ICT) distinguishes between the notion of 'ought self' versus 'ideal self' and attributes much of the emotional dissonance experienced by members of the organization, institution or family to the distance between the two selves. The leaders' vision of the organization and how it should be invokes the 'ought self' among members of the organization/family. Such 'ought self', which is essentially based on expectations of others, may be at a dissonance with the individual's 'ideal self'—the core mechanism for self-regulation and intrinsic motivation. The members of the family or the organization, in such a scenario, capitulate to the expectations of the leaders so as to reduce the cognitive and emotional dissonance. However, the distance between the 'ought' and 'ideal' self leads to people feeling lost, without a sense of purpose or giving up on their dreams. There is no shared vision in such cases.

Family business research points to a shared vision as being the most powerful predictor of long-term financial success of family businesses. Such a shared vision comprises essentially of three elements: shared values and philosophy to build on a core identity with the past and distinctive strengths; shared hope built on emotional contagion and the shared image of a desired ideal future. Such a vision is 'shared' not merely in concept, but also emotionally. Resonant leaders can create value by building a shared vision.

The Tata-Mistry imbroglio clearly demonstrates the lack of a 'shared vision' between the incumbent and the successor. In lesser family businesses, such lack of a shared vision may result in a demotivated and ineffective successor leadership and eventual organizational decline; at the Tatas, it has assumed the form of a full-blown conflict. The lack of such a shared vision is likely to have a far severe financial impact on smaller family businesses than for companies of the size and stature of the Tatas.

In the context of family businesses, it is this cultivation of a resonant leadership and effective succession planning that should constitute the key takeaways from the Tata-Mistry imbroglio. However, a recent survey of Indian family businesses (pwc.to/2yIqQFG) suggests that family businesses do not consider succession planning as a key challenge. Only 25% of the 102 family business respondents surveyed considered succession a key challenge. Consequently, only 15% of family businesses surveyed had a robust, documented and communicated succession plan.

Moreover, ensuring that the business stays in the family appeared extremely low in the order of priorities, with 44% of those surveyed indicating that this goal was not very important. Even more unimportant was the goal of ensuring the creation of employment opportunities for other family members, with 72% considering this unimportant, while only 12% considered this ‘very important’. Paradoxically, 78% of family businesses in India have next-gen family members working in the business, with most of them in senior executive roles.

How does one interpret these results? The most plausible explanation for such results may be the perceived relative unimportance of family dynamics when compared to business challenges in achieving long-term business goals. Thus, business challenges such as the need to innovate, keep pace with digital and new technology and dealing with competition were seen as the key immediate challenges by Indian family businesses. Yet, as the Tata-Mistry fight exemplifies, ignoring family dynamics, especially those relating to succession planning and enduring leadership, and concentrating purely on business issues can jeopardize the achievement of any business goal. More importantly, family business leaders will need to understand the relevance of creating resonant relationships and a shared vision for the next gen to own and build on.

The Tata story is a textbook case of the need for a resonant leadership and shared vision.

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