

A talk by Feroz Rahim of Rahimafrooz, Bangladesh at the Indian School of Business, Conference on Family Business, 6 - 8 February 2008 at Hyderabad.

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Distinguished Ladies & Gentlemen...

Good afternoon..... and..... Best wishes from Bangladesh!

I feel very honoured to be invited here today by this esteemed Institution and to stand before this august audience to speak on my humble experience with the topic:

“GROWING THE FAMILY BUSINESS AND KEEPING THE FAMILY TOGETHER”.

I was given a few questions to cover in my talk, from our own experience. Thus, I shall try to cover these points within the time allotted.

Status of my business and family as of now:

My company is known as Rahimafrooz. It is a diversified business group. Its current turnover is about Taka 1,400 crores (or USD 200 million). At present, Rahimafrooz is principally engaged in four business domains: Storage Power, Automotive Aftermarket, Energy and Retail. Recent addition of new business segments were, back-up power systems, CNG & retail. The Group employs some 2,700 people. Rahimafrooz today is considered one of the most reputed and admired company in Bangladesh.

Rahimafrooz is a family held company founded by my Father, Late Mr. AC Abdur Rahim some 55 years ago. I am the second son and the Group Managing Director. Today we have 20 shareholders including brothers, sisters, uncle, cousins and siblings. The family comprises 47 members out of which 9 family members are employed in the group.

The Founder Late Mr. Rahim was a man of deep Faith and drew from it, strong moral values & virtues; high sense of integrity, fairness, discipline, fellowship and service which he practiced and consequently got inculcated in his company's philosophy and activities during his time and these are carried forward to this day.

The Group is currently governed by a Group Board comprising 2nd and 3rd generation Owner Directors.

In the last 10 years Rahimafrooz has managed to sustain an average growth of 27% per annum.

How was it before we started on a rapid growth phase & Key challenges that prevented us from growing

Like most family businesses, the founder worked very hard and was preoccupied in building foundations and making a success of his business. He had a long term vision to achieve a good stable business position and took steps accordingly within his constraints for business continuity.

After the Founder passed away in 1982, our family business had no clear head. The working family members assumed separate responsibilities of 4 existing business segments of that time.

The four working directors after assuming the reins of the 4 business segments of the Company ran them in their individual styles, yet remaining under one common company platform. Without clear financial limits and boundaries it created confusion and frustration.

By mid 1990s, though sales registered some growth annually the Company was found to suffer loss and at times cash crunch. To the Owner Board it was not clear which segment was really the culprit as the account reports were not segmented and fully reliable. Business growth consequently became stagnant.

How did we address them

By family tradition, we usually met, consulted and reached consensus on most issues. It soon became clear that not all business segments would perform similarly.

We realized that to maintain equity and family harmony we needed (and later created) a set of rules and regulations to self-discipline ourselves – the working owner directors. The set of rules and regulations covered some fundamental dos and don'ts and employment terms of the working owner directors.

We also realized that it was critical to keep the family together in order to prosper with the Family Business.

As it became apparent that the different businesses need to be coordinated and managed as one virtual business entity or group, I was chosen as Group CEO in 1996 and my elder brother became the Chairman.

In the years that followed the Board of Directors comprising the other two owner directors played an active role in greatly facilitating the transformation of the Company from a proprietary style run business to a professionally managed organization.

The focus was to put the Group on a sustainable growth track. The Company was restructured creating SBUs, Corporate Centre and a new culture of openness and transparency. With new initiatives in the last five years, the Group turnover was growing at an average of 39% per annum.

Key lessons for families like ours

Let me try to sum up the Key lessons for families in business from a second generation experience, as follows:

- a) Nurture & Organise the Family: Each family should organise itself and have its business leader who may be different or same as the family leader. It would be better to choose this person thru a family interaction process and recognise him or her. Without an organised family there cannot be a successful family business. Family members should agree upon a broad set of guidelines for keeping the family together and in harmony.
- b) Build mutual trust, confidence and respect: It is absolutely essential for Family business leaders and working family members to ensure they continually enjoy the full trust, confidence and respect of all other family members as well as employees.
- c) Uphold core family values: Important family values get naturally transferred to the business culture while small. As business grows this need to be articulated and inculcated to all employees.
- d) Build consensus: I believe, in 2nd or 3rd generation family businesses, 'Consensus' is a key word in decision making. Consensus means consultation and taking others views not necessarily unanimous decision.
- e) Establish Governance process: As family business grows the Owner Board must establish their own governance process, operating rules and regulations. Have no qualm about preserving the 'Family Character' of your company. Working family members must adhere and behave like other professionals.
- f) Communicate and be transparent: I believe adequate communication and transparency in financials and decision making are critical ingredients for keeping the family together and sustaining business in the long term. (For us it brought about a revolution in the sense of belongingness and understanding for achieving better results).
- g) Induct younger generation: Create space for bringing in energetic and creative young people and have a blend at all levels to contribute in entrepreneurial process.
- h) Keep learning & reinventing: Knowhow and expertise is always inadequate. Consider mistakes and bad decisions as experience gained and never stop learning and trying.

CONCLUSION

Managing family business is a continuing challenge. Our new issues are: sustaining growth & profitability, creating a formal family constitution and succession plan.

We could not have come this far without a supporting, unified family. At times the growth was slowed because we prioritised maintaining family harmony over business agenda. We weathered losses. There have been arguments. But we came out stronger. I believe, in our case, everyone – family, employees and other stakeholders understood their respective roles and contributed for a common good.

Finally, I wish to thank all of you for giving me a patient hearing and I thank Indian School of Business and Prof Ramachandran and his colleagues for giving me and our Company the honour to speak before you.

Thank you very much.

May God bless us all and guide us the Right Way.

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Feroz Rahim
feroz@rahimafrooz.com