

Alignment Between Generations Crucial For Family Offices: SPJIMR's Agarwal At VCCircle Summit

By Malvika Maloo / 19 Sep 2023



SPJIMR professor Rajiv Agarwal speaks at VCCircle's family office event

Family offices can take the legacies of their respective business families forward only when there is an alignment among different generations, Rajiv Agarwal, professor of strategy and family office at SP Jain Institute of Management and Research (SPJIMR), said at a VCCircle summit in Mumbai.

Agarwal, who is also Department Chair, Strategy, at the institute, said in a special address at the summit on family offices on Friday that reaching a common ground helps encourage a family's next generation to build security.

“(It is) extremely important because that gives them the security and the confidence to go back and handle the wealth and manage it,” he said.

With family offices putting in significant amount of capital into other businesses, it is crucial for family-owned businesses to address the questions of legacy they leave behind. It also helps in determining whether families decide to sell their businesses, he said.

Agarwal said legacy includes more than just financial capital and covers spiritual, family, human, structural, and societal aspects.

These questions include parents addressing the intentions of and reasons for passing on their wealth to their children– if it is a responsibility, privilege or burden. Such questions can help the next generation determine what direction to take them forward in, without putting them through the guilt of having to manage the money they did not themselves earn.

“What are the guidelines or principles for the future use of this wealth? I think this is something that families forget to put in order. They make it either too restrictive or too loose,” said Agarwal.

These principles need to be combined with set structures for family offices, including the investment strategy and authority. It helps in making better decisions, getting competent advice and to manage family investments.

“Especially when there is a lot of wealth in the family, it becomes increasingly difficult for the next generation to get the family together, because then each one has options,” Agarwal said. “Then the common thread of the value system, which rides family together, needs to be recognized.”