10th Global Family Business Survey

India report

From trust to impact

Why family businesses need to act now to keep their legacy tomorrow

Foreword

We have witnessed a challenging year, as the COVID-19 pandemic disrupted lives and livelihoods to unprecedented levels. While the health and safety of their people remained top of mind, business leaders were forced to react with agility and re-prioritise, display character and resilience, and also reflect on their larger purpose in society. For family businesses, which make a significant contribution to the global economy and employment generation, this was especially true.

In good times, the strengths of family businesses are often overlooked as unicorns take flight and the stock market follows. It is during such challenging times that the strong fundamentals that are the hallmark of family businesses – commitment to values, long-term thinking, sensible leverage – support their recovery. We witnessed this after the global financial crisis in 2009, when family businesses rebounded to build back opportunities in a shattered world economy. And we are convinced that it will happen again after the COVID-19 crisis for two key reasons: Family businesses are more trusted and more resilient.

Our tenth Global Family Business Survey[1] reinforces both this resilience and strong optimism about recovery. Only around one in three Indian family businesses (30%) needed to access additional capital, while an overwhelming majority (88%) of our respondents expect to grow in 2022 (although recent developments and a tsunami-like second COVID wave in India may have dampened such optimism to a certain degree).

But it is not only about recovery in the short term. The pandemic has led many family business leaders to reflect on long-lasting changes in customer behaviour, expectations and market dynamics, and accordingly rethink their own priorities and formula for lasting family business success. In PwC India's report last year, 'Full Potential Revival and Growth: Charting India's medium-term journey',[2] we concluded that only by addressing key frictions, recognising opportunities, increasing productivity, digitising further – and by doing so rapidly – could India realise the full potential of people, organisations, institutions and the country. Family business owners, who, above all, want to make a positive impact and ensure a legacy for future generations, play a critical role in facilitating this. However, in order to do so effectively, they would first need to recognise their own blind spots and specific weaknesses.

Two clear areas where family businesses can significantly improve are digitalisation and sustainability. Our survey findings reveal that while 87% of Indian family businesses have identified digital, innovation and technology as a key priority over the next two years, almost three out of four family businesses (74%) acknowledge that they still have a long way to go in strengthening their digital capabilities. Further, in today's business environment, in which the pace of change is accelerating, and overall values and legacy are being revisited, profit will increasingly need to be aligned with purpose. As more pressure is put on companies to

1 https://www.pwc.com/gx/en/services/family-business/family-business-survey.html
2 https://www.pwc.in/research-insights/full-potential-revival-and-growth.html

demonstrate their environment, social and governance (ESG) credentials, our survey findings show that family businesses are lagging behind. This is despite their richly deserved reputation on corporate social responsibility (CSR) through regular prioritisation of the welfare of their employees and the communities in which they operate. While some Indian family businesses recognise the importance of having a broader sustainability agenda, only a third of Indian family business leaders (33%) identify this as a key priority, and only 42% have a developed and communicated sustainability strategy. This is worrisome; if family businesses fail to demonstrate their commitment to sustainability with concrete and tangible actions, they may risk losing the very trust and goodwill that give them licence to operate.

However, there are some positive signs. In many family businesses, we are seeing the younger generation step up to drive digital transformation in their organisations and make a larger impact for good. Yet, more can be done to ensure these voices are heard and acted upon in defining the family business direction for the future and shaping legacy. Our survey findings reveal that one-third (33%) of Indian family businesses feel that there is a lack of alignment within the family on overall direction, while only 40% have currently articulated their family values and company mission in written form. Also, only one in every five (20%) Indian family business has a robust, documented and communicated succession plan in place. However, we believe that this situation will change in due course of time, as more families gear up to induct the next generation into business.

To conclude, family businesses will continue to play a crucial role in the overall economic revival, given their resilience and the trust they enjoy. Yet they need to be mindful of the changing times and importance of good governance practices and accordingly readjust their mirror on both society and themselves.

To retain their licence to operate, they will need to revisit their purpose and use the trust they have gained to create measurable non-financial impact. Prioritising the ESG agenda and investing in digital transformation will be value accretive to family businesses, and will add goodwill from investors and employees alike. In the process, they will also be ensuring their legacy for future generations.

Sanjeev Krishan
Chairman, PwC India

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Introduction and key findings

The year 2020 was a test for everyone, as COVID-19 disrupted lives and livelihoods. The health and safety of the workforce remained top of mind for family businesses as they reconfigured their operations to combat shrinking economies and an uncertain future. Yet optimism remains high for growth in 2022, despite the fact that the majority of the 2,801 family business leaders who took the survey did so before news of the vaccines.

The first section of this report looks at the financial resilience in family businesses and shows how they are prepared to lead the post-COVID recovery. The second section highlights the need to prioritise the ESG agenda and rethink how family businesses contribute to reducing climate change, to sustainable business practices, and to society.

The third section evaluates the state of technological transformation in family business. The pandemic has proved the vital importance of strong digital capabilities for businesses. But only one in four respondents say their digital transformation journey is advanced – though the majority identify digitalisation is a top priority.

The final section focuses on family dynamics. The very relationships that make a family business strong can also hold it back. It's a difficult subject for many, but introducing a more professionalised approach to governance takes emotion out of the equation and correlates with business success. While globally the number of respondents who have formalised succession planning doubled to 30% (perhaps not surprisingly amidst a pandemic), in India, the number remained at a similar level as that in our previous survey (20–21%), indicating that this may well be a future area of focus for Indian family businesses.

We interviewed six family business owners across India from different sectors to help us interpret the key survey findings and provide insights and recommendations. Their inputs helped shape the content and recommendations for family businesses to act now and succeed tomorrow.

The world is changing; now is the time to embrace a new formula for lasting family business success.

India

84
respondents

60%
of surveyed businesses grew in the 12 months before COVID-19

88%
of surveyed businesses are expecting to grow in 2022

Key findings

The responses of the 84 owners and executives who participated in the survey reveal important insights into how family businesses operated in a pandemic year.

Economic resilience is high

70%

say they needed no additional capital in 2020, and only one-third (35%) are cutting dividends during the crisis. 67% expect to grow in 2021.

Progress on digital transformation is slow

26%

say their digital capabilities are strong. In our 2018 Family Business Survey, 71% were worried about innovation and technology, and 64% said they would invest in it.

There's a real desire to lead on sustainability, but action has been slow

68%

say there is an opportunity for them to lead the way on sustainable business practices, but only 42%, on average, have a documented and communicated sustainability strategy in place.

There's resistance to change and professionalisation

51%

have a documented vision and written purpose statement, 20% have succession plans, and 26% say there is a resistance to change.

Growth in the time of COVID-19

The COVID-19 pandemic has been an extraordinary test of resilience for almost all businesses. Family businesses are rising to meet the challenge at a time when financial uncertainty was already affecting forecasts.

Before the pandemic, 60% of respondents predicted growth for 2020 – the lowest percentage since 2010, the year following the global financial crisis.[3]

3 • PwC Family Business Survey 2021 and PwC Family Business Survey 2018

Now, in looking beyond COVID-19, 40% of Indian family businesses expect sales to decline. But 88% anticipate a return to pre-pandemic growth rates by 2022, an impressive level of optimism given that no vaccines had been approved when the survey was conducted.

Resilience

Only one-third (35%) of surveyed businesses have had to cut dividends, and 60% of family members have taken salary cuts. Overall, only 30% needed to access extra capital. Also, 27% of the owners are putting in more of their own cash, and a further 46% say they are prepared to do so if necessary.

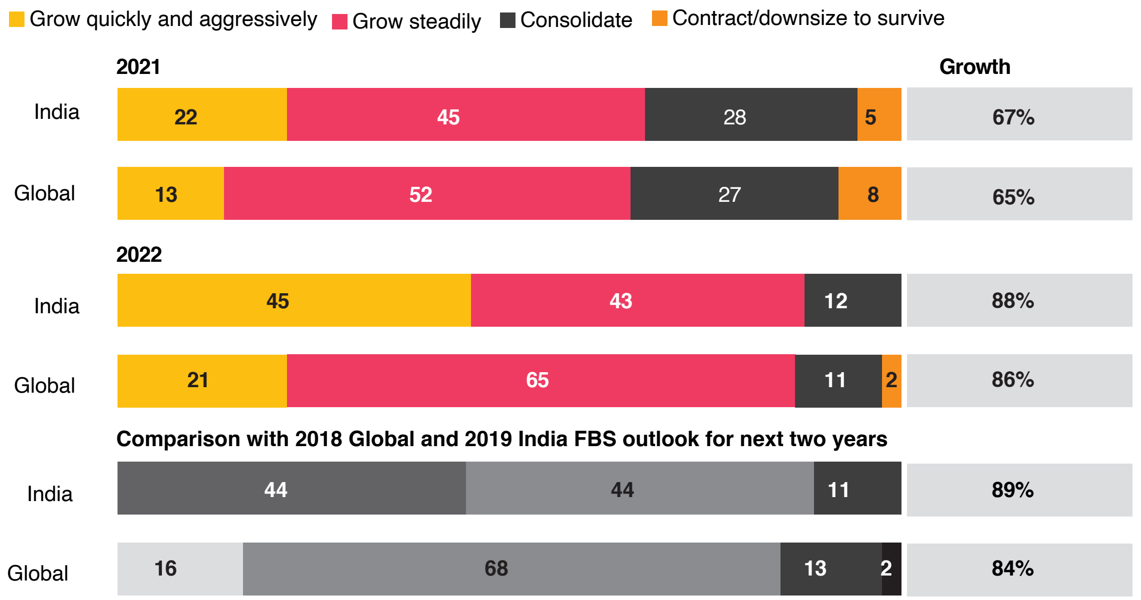
Family businesses have proven robust and adaptable – and as we have come to expect, they are taking a people-first approach, prioritising the well-being of their employees and supporting their local communities throughout the crisis.

Indeed, 85% are enabling staff to work from home, and 26% are repurposing their production to meet pandemic-related demand.

Despite everything, their 2022 growth ambitions are in line with what they told us in 2019 (see Figure 1).[4] This optimism isn't blind; it's based on planning and risk management. More than four out of five (85%) are prioritising diversification and/or expanding into new markets or products; these are two of the three top priorities for businesses over the next two years.

Figure 1: Back to business as usual in 2022

Q: Which of the following best describes your company's ambitions for 2021 and 2022?



Base: All India respondents (2020: n=84), all global respondents (2020: n=2,801)

Source: PwC Family Business Survey 2021

4 PwC India Family Business Survey 2019: https://www.pwc.in/assets/pdfs/research-insights/fbs/2019/pwc-india-family-business-survey-2019.pdf

Sustainability: Translating ambition into action

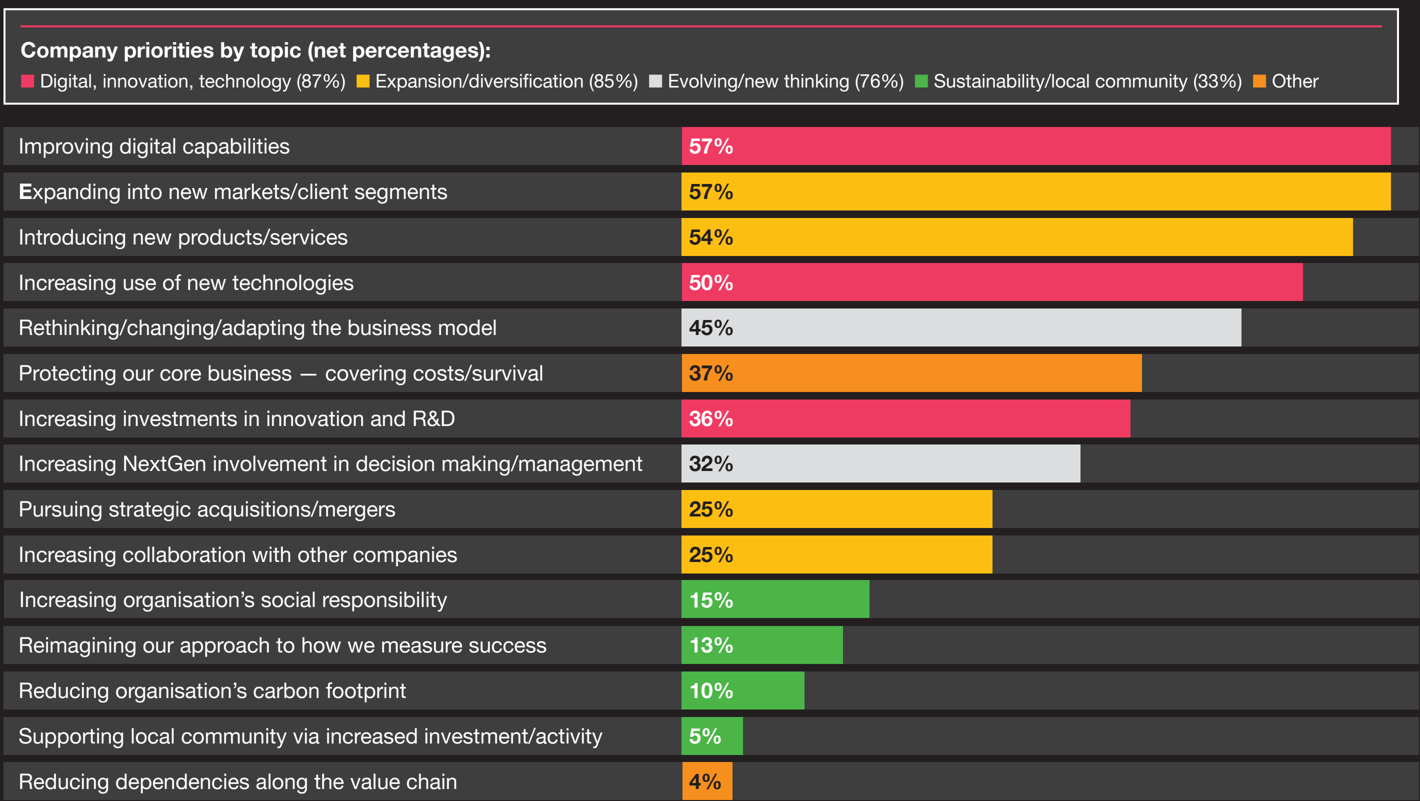
The pressure on all businesses to contribute to a cleaner environment and fairer society is increasing, so actions around a sustainability agenda – not just commitments – will take on a new urgency.

Family businesses have a head start to lead on sustainability. They are the most trusted form of business,[5] are potentially more agile and are relatively free from short-term market pressures. This sets them apart as natural leaders on sustainability, a role that 68% of respondents to the survey say they are ready and willing to adopt.

But there is a risk that established approaches and ways of thinking, particularly regarding what sustainability means and how family businesses are governed, could hold them back. For now, they are not prioritising ESG or sustainable practices (see Figure 2).

Figure 2: Family businesses say that diversification and improving digital capabilities, not sustainability, are their top priorities

Q: Which, if any, of the following are the company's top five priorities for the next two years?



Base: All India respondents (2020: n=84)

Source: PwC Family Business Survey 2021

5 In the Edelman Trust Barometer 2020 (19 January 2020), 67% of respondents trusted family-owned businesses compared to 58% for public companies. https://cdn2.hubspot.net/hubfs/440941/Trust%20Barometer%202020/2020%20Edelman%20Trust%20Barometer%20Global%20Report.pdf?utm_campaign=Global:%20Trust%20Barometer%202020&utm_source=Website

This lack of prioritisation is a rare example of family businesses being hindered by their independence. Listed companies have felt pressure around sustainability from customers, lenders, shareholders and employees increase in recent years. For family businesses, the opportunity to achieve their top priority – expanding into new markets – could serve as the impetus to invest in ESG.

Reclaiming the ESG agenda

Giving back is in the DNA of family businesses. They think about the total impact of their business on society, they prioritise the well-being of their employees, and they believe in supporting their communities and society. More than 90% engage in some form of social responsibility activities, including 52% that say they engage in philanthropy.

It's how they think about sustainability that must change. Sustainability needs to be central to their business operations, rather than simply embedded within their philanthropic activities.

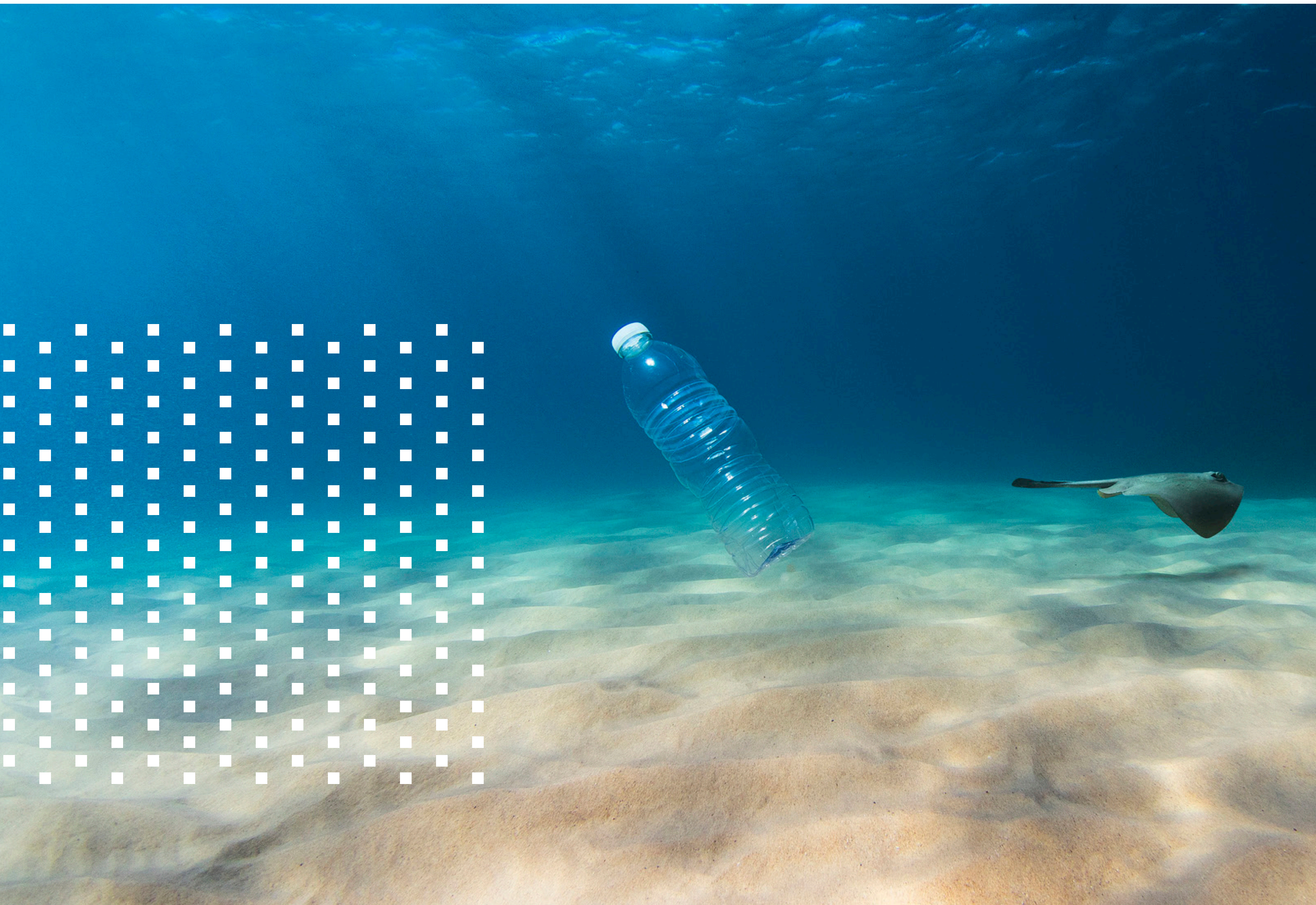
"In the past, we've never talked about [our positive impact], because if you do, you're seen as boasting. That's a mindset change that has to come."

R. Dinesh, Managing Director, TVS Supply Chain Solutions Limited, Logistics, India

"We are increasingly witnessing interest and debates on significant disruptive trends and potential interventions, including climate change, building purpose-led sustainable organisations, trust restoration in capital markets and institutions, as well as inclusive and engaged wealth creation for all stakeholders. ESG as a platform integrates these trends and provides clear levers on how to respond to these changes.

Demonstrating leadership in ESG has been and will be a key differentiating factor for all organisations to be successful and fit for the future. Those who fail to act on ESG are likely to face greater survival risks over a period of time."

Sambitosh Mohapatra, Leader, ESG, PwC India



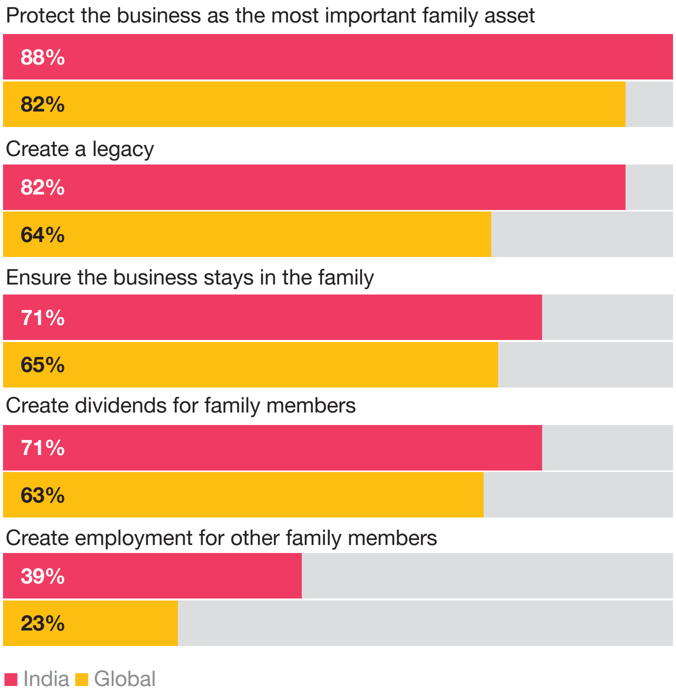
ESG is an existential issue. Businesses that don't demonstrate their commitment to sustainable practices could attract flak from consumers, the media and even regulators.

Family business owners want, above all, to create an enduring asset for future generations. Legacy matters – close to 90% of Indian family businesses want to protect the business as the most important family asset.

If sustainability isn't a priority, their licence to operate and their legacy are at risk. And it would appear COVID-19 has increased family business owners' desire to protect their business and create a legacy (see Figure 3).

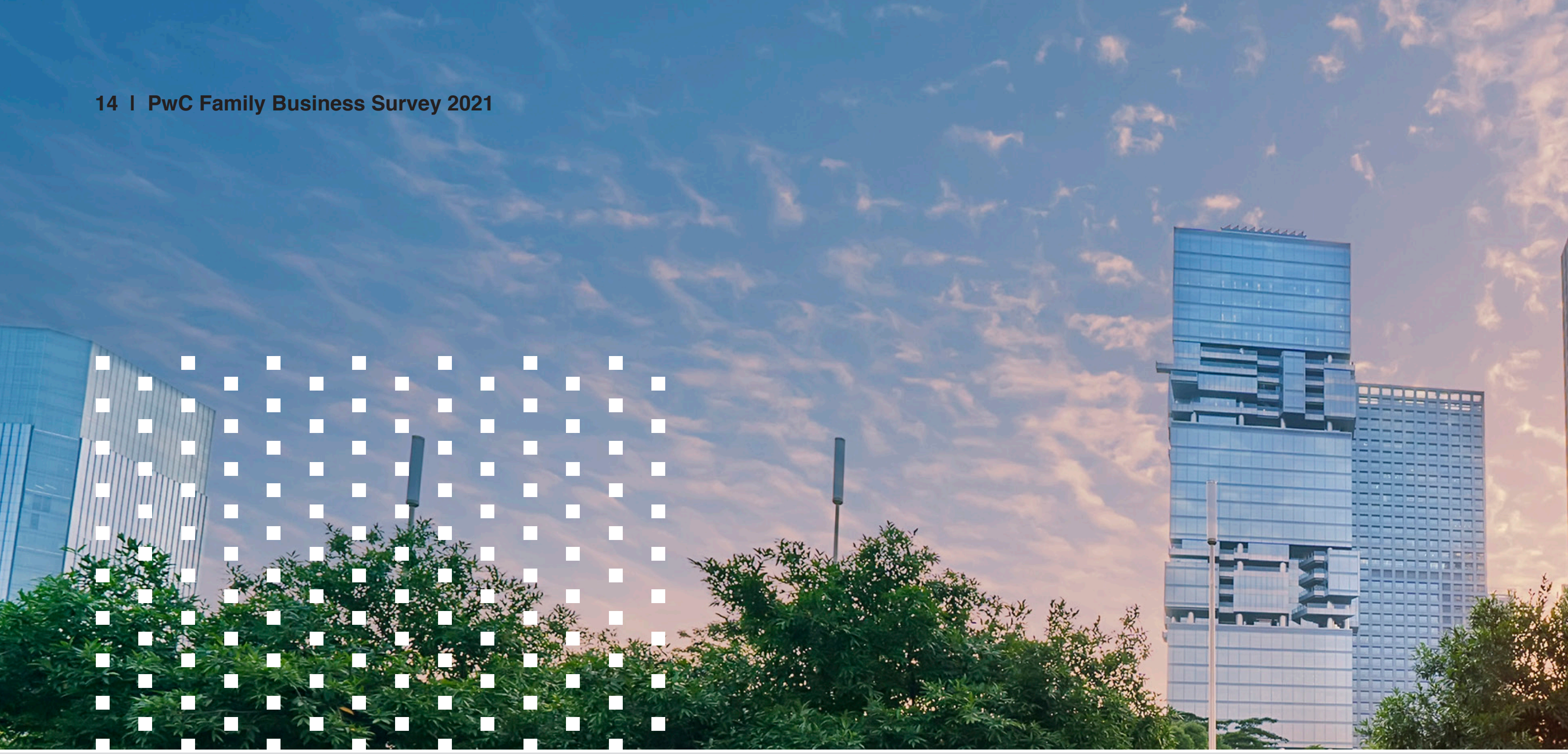
Figure 3: Long-term personal goals for the business

Q: How important to you are the following longer-term goals, i.e. over the next five years or longer?



Base: All India respondents (2020: n=84), all global respondents (2020: n=2,801)

Source: PwC Family Business Survey 2021



Global peer recommendations

Embed ESG in your business and operating model. The family business leaders agree that ESG has gone from a nice feature for a company to have to an imperative for success.

"In the past, ESG was thought about as something we do when everything else was OK," says Sara Hughes, president of Lwart Group, an industrial conglomerate in Brazil. "Now we're incorporating it into every decision we make."

The global family businesses identify many benefits of embedding ESG, from lowering the cost of capital to enhancing brand value.

"When you do good things, good things come to you," says Ghassan Nuqul, chairman of Nuqul Group, a conglomerate in Jordan specialising in hygiene products.

Ask for help in measuring and meeting ESG targets. ESG measurement is a nascent discipline, and there is no internationally consistent system for reporting progress. It was only in September 2020 that the World Economic Forum published a framework for assessing progress on ESG. These metrics were welcomed by global respondents, who are pushing for more measurement and accountability in their own organisations. Drawing on outside expertise is seen as an important element of solving the sustainability puzzle.

"The stronger word in the boardroom is still the financial word, the return on investment," Hughes says. "Intangibles don't get measured."

Communicate, communicate, communicate. All respondents stress the importance of publicly talking about both the goals and achievements of the business.

"Listed companies are better at communicating on ESG because they know where this is heading," adds Jakob Haldor Topsøe of Haldor Topsøe Holding, a Danish chemical technology company. "For family businesses, a quiet life has been a good life. That has to change."

Involve the NextGen. Younger generations are the driving force behind sustainability, and in family businesses they are looking for greater responsibility. ESG is a natural fit. Fourth-generation businesses, for example, are more likely to embed sustainability in decision making (60%, compared with 55% for all respondents) and are more likely to have a well-developed sustainability strategy (40% vs 35%).

"I am first-generation, and we had no choice but to work in the company," says Günseli Ünlütürk, chair at Turkish fashion brand Jimmy Key. "This current generation can choose what they want to do. The relationship between the business and generations is getting looser. The mindset of the elder generations should change and should be adapted to young generations' mindset."

Encourage board diversity. The global respondents believe that a lack of pressure from capital markets could be a handicap for family businesses when it comes to ESG. They feel that a diverse board, with independent input, could act as a good proxy and challenge thinking around sustainability.

4 World Economic Forum, Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, 22 Sept. 2020, https:// www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation

How to get your sustainability agenda started

Here are four areas to consider to help embed ESG into your business operations and to engage with both the NextGen and your board in the process.

- Measure the total impact of ESG actions. PwC has created a Total Impact Measurement and Management framework to help companies develop the capabilities to act on ESG goals and make better-informed business decisions.
- Follow best practices on non-financial reporting. The World Economic Forum recently published its Measuring Stakeholder Capitalism report, which describes a set of universal metrics under four pillars: people, planet, prosperity and principles of governance.[8]
- Your family is unique, and so are your children. Take a short quiz to find out which NextGen path they may be on, and explore case studies and tailored recommendations for the incumbent generation and next generation.[9]
- Consider shaking up the board composition. A more diverse board that is not comprised of family or friends of family will help challenge thinking.[10]

7 PwC, Total Impact Measurement and Management, accessed in Jan. 2021, https://www.pwc.com/gx/en/services/sustainability/total-impact-measurement-management.html.

8 World Economic Forum news release, “Measuring Stakeholder Capitalism: Top Global Companies Take Action on Universal ESG Reporting,” 22 Sept. 2020, https://www.weforum.org/press/2020/09/measuring-stakeholder-capitalism-top-glob- al-companies-take-action-on-universal-esg-reporting/.

9 PwC, Global NextGen Survey 2019, 2019, https://www.pwc.com/gx/en/services/family-business/nextgen-survey.html.

10 Jared Landaw (Barington Capital Group LP), “Maximizing the Benefits of Board Diversity: Lessons Learned From Activist Investing,” Harvard Law School Forum on Corporate Governance, 14 July 2020, https://corpgov.law.harvard.edu/2020/07/14/ maximizing-the-benefits-of-board-diversity-lessons-learned-from-activist-investing/.

Still behind the digital curve

The pandemic demolished any lingering doubts about the benefits of digital transformation. Digitalised services became the norm overnight, and businesses with established digital capabilities fared better than those that had to scramble to keep up. This was true for family businesses as well. Those with strong digital capabilities and access to good data performed better than others.

But these businesses are the minority. Although 87% say that initiatives related to digitalisation, innovation and technology are a top priority, progress in these areas has been slow. Only 15% say that their digital journey is complete, and 74% believe they have a long way to go. In fact, 27% still report that they don't have strong digital capabilities and that developing these is not high on their priority agenda, which is worrisome (see Figure 4).

Figure 4: Summary of India digital capabilities and priorities

Q: How strongly do you agree or disagree that your business has strong digital capabilities?

Base: All India respondents (2020: n=84)

Source: PwC Family Business Survey 2021

Our message: Now is the time to act.

The experience of family businesses that have upgraded their digital capabilities shows the vital importance of a clear roadmap. However, only half of those who don't have strong digital capabilities plan to develop a clear and documented roadmap for their digital transformation.[11]

This needs to change.

The actual advantages of digitalisation don't always match up to the assumed ones, so planning is key..

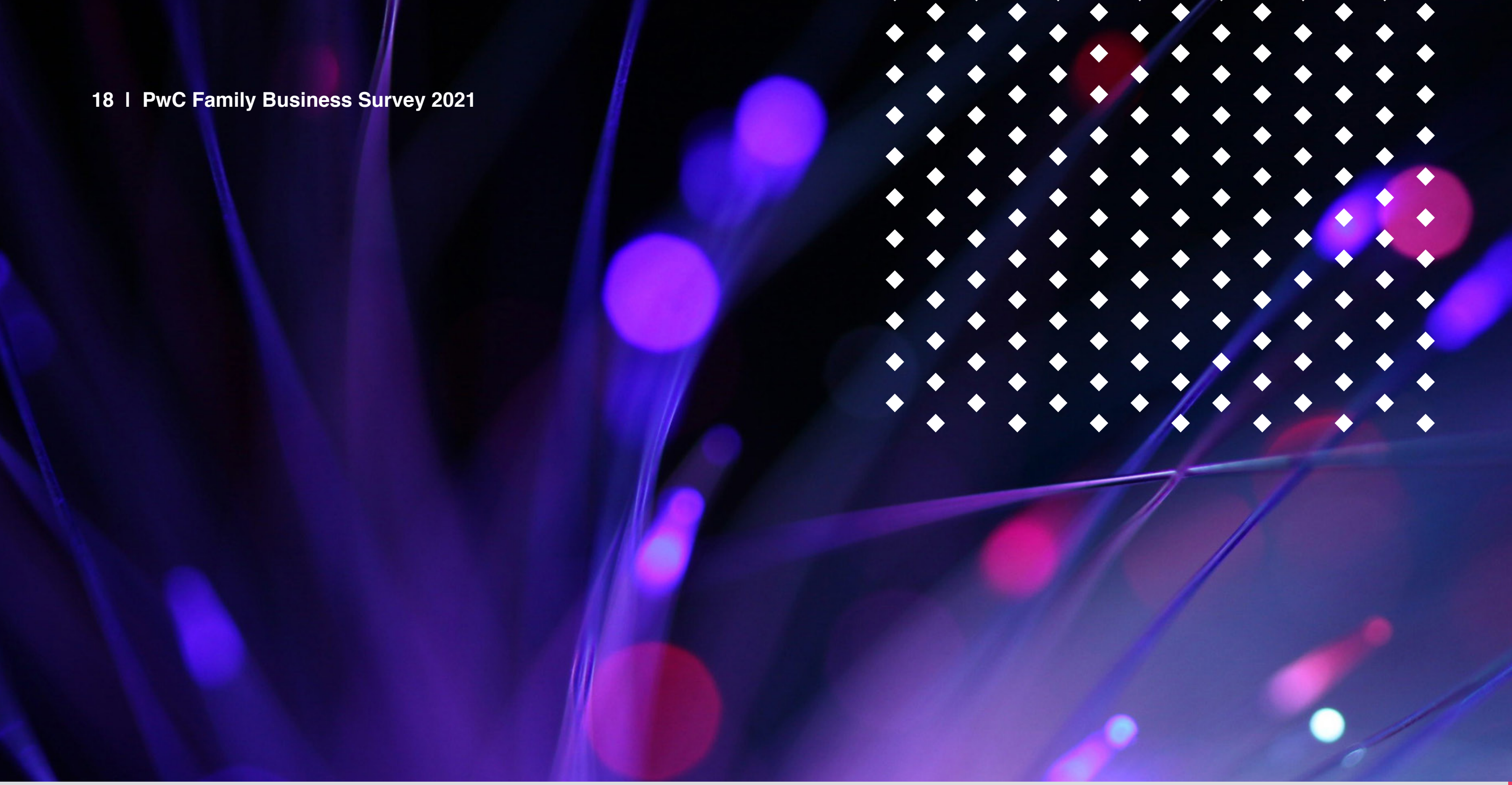
"As businesses try to repair and reconfigure themselves, digital transformation has been at the forefront of conversations across different business functions of an organisation.

The COVID-19 pandemic has only fast-tracked the need of having robust digital capabilities in place. Businesses with a well-defined digital strategy and implemented initiatives fared significantly better during the crisis. Customer acquisition, retention and enhanced sales through online platforms have become the norm.

Further, real-time insights, effective communication and an enabling work-from-anywhere environment ensured agility and flexibility to navigate through the crisis.

We are convinced that family businesses should take a holistic view of their operations and the potential for technology interventions while recognising the importance of digitally upskilling the workforce and ensuring effective change management. This is the time to become future ready."

Somick Goswami, Leader, Trasformation, PwC India



Global peer recommendations

Rediscover your entrepreneurial flair. The pandemic has been an essential reminder of the potential of family businesses, particularly regarding the possibilities and opportunities stemming from technology.

Gabriela Baumgart, who is on the board of industrial conglomerate Grupo Baumgart in Brazil, describes the pandemic as “a reset” for many family businesses. “This is a new era for family businesses. In the past, many have tended to avoid risk and have been quite conservative. That has changed. It’s an opportunity to review business models and see if the governance is being effective. They are remembering how to be entrepreneurial again, adapting and creating value in a challenging world.”

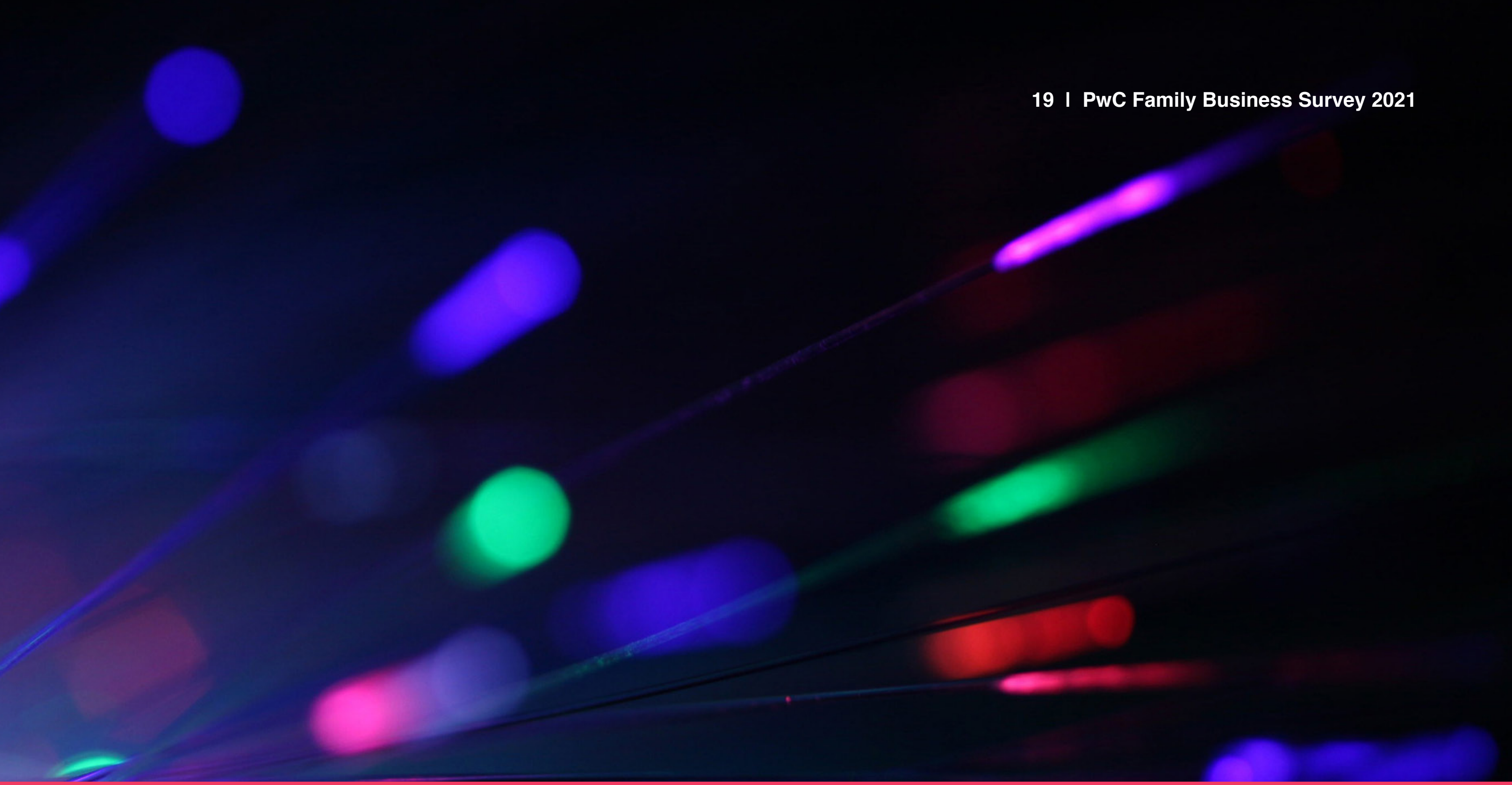
Digital transformation and agility go hand in hand. Digital technology helped firms pivot their operations quickly.

“One of our businesses, Daba, is an exclusive distributor of Nespresso in Spain and several African countries. Before the pandemic, we sold mainly through our shops; only about 10% of sales were online,” says Alfonso Líbano Daurella, vice chair of Cobega Group, which has global operations in soft drink distribution. “We shifted the business model when the pandemic hit so that around 80% of sales were online and our shops delivered the coffee locally to customers. We moved from being a retail business to an internet delivery business in just four months. That’s the mentality you need during a crisis—don’t close the shops, change.”

Allow the next generation to challenge priorities. As mentioned above, NextGen members are an important motivating force for digitalisation. Our 2019 NextGen Survey found that younger family members saw technology as one of the three most important drivers of change for the business, and 64% of them felt this was the area in which they could add value.[12]

Nina Østergaard Borris, daughter of Torben Østergaard-Nielsen, the owner of Danish shipping company USTC, was appointed COO of the group in 2020 at age 36. She says that different generational priorities were apparent when the business recently went through “the long process of deciding what we wanted to be known for. I am more aware of the agenda around digitalisation and ESG, but my father is good at listening and asking the critical questions. It’s been a good experience. As a NextGen, you have to be mindful not to throw out the good things because you are focused on something new. My father has valuable experience; I have a more forward-looking mindset.”

12 PwC Global NextGen Survey 2019, https://www.pwc.com/gx/en/services/family-business/nextgen-survey.html.



How to make your digital transformation move faster

Moving faster along a digital journey requires an understanding of the value of data and analytic tools, as well as a commitment to upskilling your workforce. You should also recognise that transformation must be a part of a cultural shift that is supported by highly engaged leaders. Start this process by asking the right questions:

- How can I make faster and better decisions by optimising my data assets?[13]
- Do I understand the critical success factors for transforming my business?[14]
- Is my workforce ready for the future?[15]

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13 PwC, Data and analytics, accessed in Jan. 2021, https://www.pwc.com/gx/en/issues/data-and-analytics.html.

14 Al Kent, David Lancefield and Kevin Reilly, “The four building blocks of transformation,” strategy+business, 22 Oct. 2018, https://www.strategy-business.com/article/The-Four-Building-Blocks-of-Transformation?gko=aa2b7.

15 PwC, New world. New skills. Accessed in Jan. 2021, https://www.pwc.com/us/en/services/consulting/workforce-of-the-future/new-world-new-skills.html.

Family dynamics:
Holding up a mirror

Family businesses are complex, given the nature of the personal relationships on which they are built. The same relationships that allow the business to act and adapt quickly can also slow down its decisions and hold it back – and it can be difficult to admit that communication between family members and across generations is not what it could be. Four out of five survey respondents (80%) say that family members who are not on the board trust those who are on the board. Only 67% say that all family members share similar views about the company's direction.

There are many sensitive issues to discuss and many areas in which progress is falling short (see Figure 5).

Seventy percent of family businesses report that family members communicate regularly about the business, but nearly half of our respondents (45%) say they have no formal mechanisms in place to deal with potential areas of disagreement.

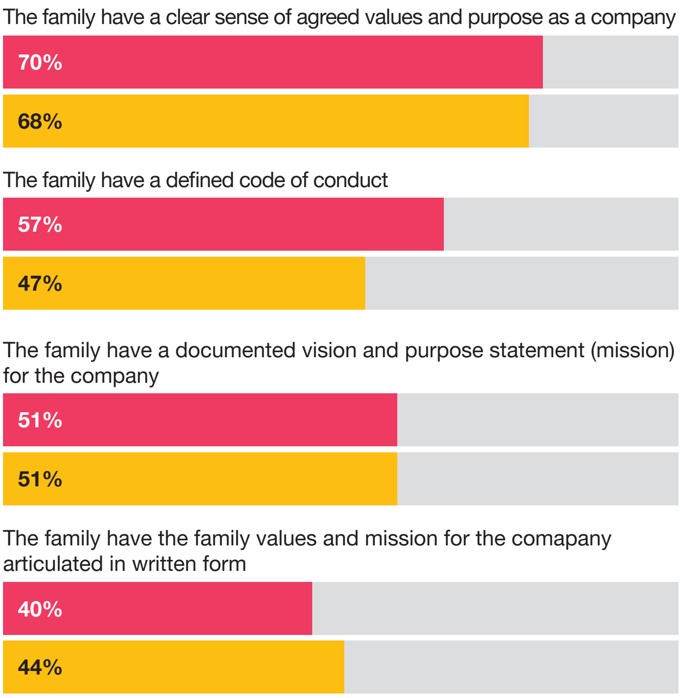
Family harmony should never be taken for granted. It needs work and planning, and it should be approached with the same focus and professionalism that's applied to business strategy and operational decisions. Fifty- five percent of family businesses have some form of governance policy or procedure in place – down from 88% when we asked the same question in 2019 – but for many, there are significant gaps.

Conflict is inevitable. Only one in four respondents (27%) say they have never had a disagreement. At the other extreme, disagreements are a regular occurrence for only 4%. Dealing with disagreement is very much a private affair; 38% of respondents who report having disagreements discuss them openly within the family. However, only 11% have an established conflict resolution system, and 18% have used an external third-party resolution service.

Succession planning is one of the most sensitive issues, and COVID-19 appears to have concentrated minds in this area. The survey confirms that 20% of family businesses now have a formal succession plan (lower than the global average of 30%), and only 7% of Indian family businesses revised this plan in light of COVID.

Figure 5: Family values matter, but less than half have put them in writing

Q: How strongly do you agree or disagree that…

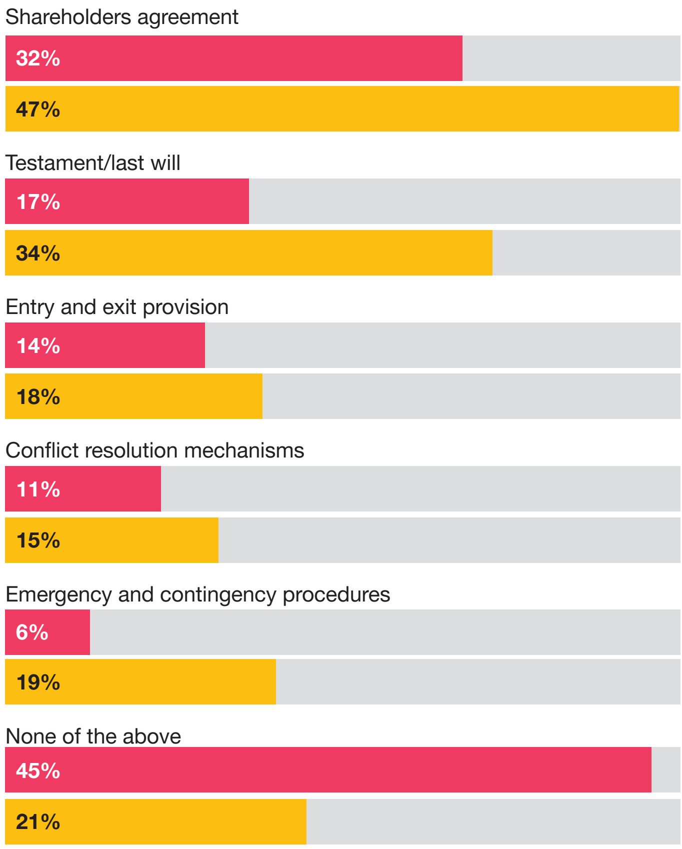


■ India ■ Global

Base: All India respondents (2020: n=84), all global respondents (2020: n=2,801)

Source: PwC Family Business Survey 2021

Q: Which of the following policies and procedures, if any, do you have in place?



■ India ■ Global

Base: All India respondents (2020: n=84), all global respondents (2020: n=2,801)

Source: PwC Family Business Survey 2021

Values are a NextGen magnet

In 2019, more than one-fourth (31%) of family businesses expected NextGen family members to become majority shareholders within five years. In the 2021 survey, half (50%) of first-generation Indian family businesses expect to pass on management to the NextGen in five years' time.

Younger generations are strongly motivated by meaning and purpose when it comes to their career, and sometimes struggle to find these qualities in the family business, according to conversations we have had with many NextGens. Clear company values can help to bridge the generational gap and give the NextGen that sense of purpose they crave. Family businesses with values in a written form are also better prepared for succession and are more communicative and transparent. Though 73% of businesses say the family has a clear set of values, only 40% have written them down.

Our respondents agree that family dynamics are a sensitive issue. Topics such as succession can be emotional, which makes them difficult to navigate and, as a result, tempting to avoid, though succession is also the only area of family governance in which concrete actions increased since the 2019 survey. Many families want to keep discussion of these sensitive issues among themselves, but they agree that they often need professional support and moderation to address them properly. Finding such support can help professionalise the business and encourage families to reconsider the role, responsibilities, and composition of the board and management.

"Many family business owners spend a lot of time on the business but much less time on family issues. Often the feeling is that they have no problems, so there is no reason to make time to discuss family issues. But if you don't spend time on this, or only do so when a conflict arises, then it's too late."

Farhad Forbes, Co-Chairman, Forbes Marshall, Engineering, India, and Chairman of Family Business Network International

"Empirical evidence suggests only a third of all family-owned businesses successfully navigate a generation change. It is for this reason that many family businesses are increasingly focusing on family dynamics, a sensitive and emotional topic, in order to preserve their legacy. Yet this in turn may bring to light differences in opinion within the family, which, if not addressed appropriately, could disrupt overall family harmony.

Establishing a proper governance structure, with a clear process for conflict resolution, would go a long way in supporting long-term family harmony. Further, a codified set of values and purpose helps with communication, alignment and transition, particularly for successful induction of the NextGen into the business.

While these steps seem relatively straightforward, effectively implementing the same requires a significant amount of work and planning as well as a professional approach."

N. V. Sivakumar, Entrepreneurial and Private Business Leader, PwC India

Global peer recommendations

Professionalise family governance. Having a professional governance structure and a clear process for conflict resolution, preferably involving an independent party, makes business sense, particularly for family businesses.

A professional approach strips emotion and personal bias, common stumbling blocks for families, out of decisions.

"If you are planning to sell a new product, you sit down and work out the business case. You invest time into the issue. I don't see family harmony as any different. Take advice and build in protocols for the future," says Alfonso Urrea Martin, CEO of the tools division of Mexican industrial manufacturer Grupo Urrea.

Governance should reflect that families are dynamic. Family businesses need to revisit governance structures regularly, because the structure of ownership can change as NextGens enter the business, or through marriages. Therefore, it is important to set out parameters in a family constitution and keep them current.

"We rewrote the constitution eight years ago and will rewrite it again soon," says Ajay Shriram, Chairman and Senior Managing Director of DCM Shriram Group, an Indian conglomerate. "People get married, dynamics change. We involved our mother and teenage nieces, who aren't working in the business, because the reality is that all family members have an influence, and you have to be ready for that."

Write values down. A written accounting of a family business's values helps with communications and transitions.

Bernhard Simon, third-generation CEO of the German logistics company Dachser Group, handed over the reins to new CEO Burkhard Eling, who isn't a family member, on 1 January 2021. In planning the transition, the family went through the process of writing out the company's values. "My aunt and mother gave us, the third-gen family members, the freedom to ask the question, 'Do we want to remain as shareholders or sell the business?'" Simon says. "It's the only way to become aware of why we wanted to still be a family-held company. Going through that process meant we were able to write down the values we were living with, and they lead the decisions we make. Every executive that joins the company, Burkhard included, has to sign up to the values as part of their contract."

"I see the written values as a gift," Eling says. "They act as glue between the family, executive board and management board. I don't feel hindered by them, because they give me a clear understanding of where the strategy needs to lead the company in a sustainable way. Values need to be the common ground on which a company is built."

Allow external help. Conflict and differences of opinion are inevitable – we're only human. But the emotions involved in family discussions can be difficult to resolve internally. Many global family businesses see the benefit of involving a neutral, outside perspective.

"External resources have helped us a lot. We are three brothers, and we took the view that the key was communication, communication, communication," Shriram says. "We have worked with a behavioural scientist since 1996; the three of us go to a retreat every year for four days and just talk. We unburden ourselves and get any conflicts out of our minds. It's a very powerful opportunity to open up."

How to start addressing family governance

Family dynamics are always an emotional issue, but one that, when addressed, can lead to significantly stronger outcomes. Here are some initial steps to help ensure good working relationships within a family business:

- Join a network that offers peer-to-peer learning and helps family business owners identify trusted advisers. Such networks operate through regional and international organisations, including the Family Business Network International and PwC's Family Owners Network.
- Regularly revise your family governance provisions based on best practice targets. PwC's Owners Agenda, for example, creates a practical framework to help prioritise actions.[16]
- Develop well-planned family leadership summits that engage with the NextGen. This is a tried-and-true practice that can engage NextGens and provide career path guidelines.[17]
- Review your board composition.[18]

16 PwC India, Entrepreneurial and Private Business, https://www.pwc.in/services/entrepreneurial-and-private-business.html.

17 Bob Frisch and Cary Greene, "Leadership Summits That Work," Harvard Business Review, Mar. 2015, https://hbr.org/2015/03/leadership-summits-that-work.

18 Beatrice Ballini, "Every Family Business Needs an Independent Director," Harvard Business Review, 27 Jan. 2020, https://hbr.org/2020/01/every-family-busi- ness-needs-an-independent-director.

Redefining the formula for family business success

For family businesses, there is good news in these survey findings but also a wake-up call. Their financial resilience makes family businesses well-placed to succeed, but they need to readjust both their mirror on society and on themselves. If they can accomplish that, their power to fuel the post–COVID-19 recovery grows even more important because of their financial impact around the world. To retain their licence to operate, they will need to revisit their purpose and use the trust they have gained to create measurable non-financial impact.

The NextGen family members will play a vital role in pushing family businesses forward in policy areas that are essential to the company's legacy. Our final conclusions focus on the three key areas in which immediate actions will help secure a lasting formula for success for the generations to come.

Deliver on ESG. Family businesses have a richly deserved reputation for prioritising the welfare of their employees and the communities in which they operate. But they are also at risk of losing control of the narrative, and larger, listed companies are claiming the ESG agenda for themselves. Family businesses need to learn how to measure and communicate their ESG agenda to a wider stakeholder group.

Transform digital capabilities. Over many years, our survey has shown there is more talk about digitalisation than action. The shocks of COVID-19 reveal that those that had already embarked on their digital journey were better placed during the crisis. Now is the time to act. The 27% of respondents who are not making digitalisation a priority and have not made progress will face significant challenges in protecting their legacy.

Professionalise family governance. We saw in the 2019 survey that success came when families improved their internal governance by adopting more businesslike practices. Families' sense of purpose must be shifted to the business operations for continued success. Codifying values helps with both performance and family communications.

Owners' perspectives

In March 2021, we interviewed six family business owners across India from different sectors to help us interpret the key survey findings and provide insights and recommendations. Their inputs helped shape the recommendations for family businesses to act now and succeed tomorrow.

Ajay Arora

Managing Director, D’Décor

D’Décor is the world’s largest maker of soft furnishing fabrics. Founded in 1999, D’Décor today provides a whole range of décor categories, including bed and bath, blinds, wallpapers and rugs. In India, the D’Décor brand holds a leadership position in its category, with a strong retail presence throughout the country – a wide network of multi-brand outlets, a number of exclusive D’Décor stores and an e-commerce platform.

On resilience and growth

Observations and key learnings from the pandemic

The COVID-19 crisis has been shifting gears. Of the last 50 odd weeks, our organisation was shut for the first six weeks. From worrying about demand, we saw a spike in demand. There was also huge commodity inflation that fortunately did not impact the home textile sector as spend on home improvement went up with people being at home. For us, it has been about ensuring that our customers are serviced satisfactorily and about working efficiently with suppliers.

A few decisions taken during the pandemic have helped. We announced, for instance, that there would be no job cuts, a decision that springs from our family values and the fact that we look at the benefit of all our stakeholders. Also, with little clarity on the road ahead, the onus was on us to ensure that none of our 3,000-plus employees feel orphaned. We helped employees who wanted to go back to their hometowns. We also communicated upfront regularly to keep everyone together during this crisis.

In the initial months, we had reduced salary payouts. We conserved cash, and as soon as there was a resurgence, we paid salaries that were held back. This has kept the morale high and we have gained market share. We also made sure our debt-equity ratio was good as the uncertainty of any event can only be dealt with by having a resilient balance sheet structure. As far as retail stores are concerned, India had a prolonged shutdown. So even though we did some degree of online sales, as 95% of our business is done through the physical channel, that created a vacuum that is now being filled.

The future of business looks good especially with the vaccine rollout. Come September, the Western world won’t be struggling with this pandemic. While we will have to keep an eye on the demand pattern and cost inflation, overall, things will be well within control with an upward growth curve.

Digital transformation

Building digital capabilities for effective decision making

A strong base of digital capabilities helped us. We digitised our product library as 60% of our business is export oriented. We focused on creating an intelligent, intuitive and dynamic digital catalogue on a platform for customers to be able to select a product of their choice easily and efficiently. From catalogue browsing to order closure, we worked on the entire customer journey, factoring in the physical requirements such as need for samples.

The other piece was about introducing automation in our technology landscape to take care of repetitive activities like those where a vendor would like to know if his purchase order or even payment has been released. The platform therefore helped meet all our stakeholder requirements, providing accurate information without human intervention.

Communication too was a top priority during this time, and we did it in a structured manner ensuring every employee had the IT tools, training and access to the platform to communicate. This created flexibility across borders and helped redefine work culture.

Upskilling – both training of our people and adoption – has become important to ensure the success of the platform. Information collection, information processing and information-based decision making entail a mindset shift to ensure that such decisions are trusted and executed in an iterative manner. So while we are trying to use the existing data to extract more out of our existing assets and people, that trust and mindset change will take time.

Family dynamics

Nurturing a codified value system

A value-driven business is far more sustainable and easier to manage. If the values are diluted, that will soon get reflected in every aspect of the business, including the P&L and balance sheet. So, values and the trust quotient have to serve as anchors.

Also when disparate members enter the family business, empowerment, risk and reward for performance need to be factored in. A formal charter which is agreed upon, adhered to and implementable in a legal forum is, thus, helpful to deal with conflicts.

Sometimes in order to scale the family business, other equity investors or rather a new set of stakeholders are brought in. While strategy comes from priorities and priorities from values, it is important to be wary of bringing in stakeholders who don't share the same values and aspirations.

In this scenario, I feel a codified value system works, and it is for the family patriarch to set the standards and guiding principles early. That creates less conflict. If the ground rule is that the business has to take decisions in favour of all stakeholders, then to resolve matters, one needs to consider the best and highest common factor and see if it will improve business.

ESG

Initiatives to drive the sustainability agenda

Let's take one element at a time. The G of ESG, denoting governance, was applicable in 2014 when the government decided that India Inc. needs to fall in line at various levels. Over time, there has been simplification of tax laws and compliance laws. The Government has been trying to change labour laws and ensure the ease of doing business. Considering such governance mechanisms, I believe, if we don't want to follow the law of the land, we should leave the land. The law is for our benefit and so is being compliant, and those who debate governance will not survive.

The second element – E for Environment – is equally important. We have our manufacturing unit in Tarapur, which has over 4,000 factory employees and has been cited by the National Green Tribunal as India's most polluted industrial area. Having recognised this as an issue over five–six years ago, we made investments to ensure we are not adding to environmental pollution and are compliant with the pollution laws.

Also, as consumers wish to spend money on brands that promote the green cause, the need for embracing the E of ESG has increased. Dealing with it demands capital investment and an increase in production costs, but we are working on a plan such that by 2030, we can be proud of what we are doing.

About S – that is, Social – I would say the abject poverty in our country makes it necessary for us to understand that organisations have got to play their part in improving society. It is important to look at it as one more stakeholder who also needs to benefit. So the S of ESG needs to be about uplifting those who haven't had a fair chance. I think businesses that believe in this will see tremendous payback and in the long run, that will strengthen their brand recall.

Anant Goenka
Managing Director, CEAT (part of RPG Group)

RPG Group is one of India's fastest-growing business groups, with a turnover in excess of USD 3.4 billion. With over 20,000 employees, the group has a presence in core sectors of the economy – infrastructure, automotive tyres, information technology, pharmaceuticals, energy and plantations. Additionally, through its venture capital and incubation arm, RPG Ventures, the group invests in cutting-edge startups and emerging entrepreneurs.

On resilience and growth

Observations and key learnings from the pandemic

When the pandemic hit us, one of the first things we did was to communicate effectively with our people – be it through townhalls or having factory leaders speak to the workmen on the shop floor. We narrowed down our focus to 6 Cs:

- **Care:** With people as our priority, we prepared kits that would be sent to anyone suffering from COVID-19. We also worked on physical and mental health, appointed a chief fitness officer and set up a clinic to address mental health-related issues.
- **Cost control:** We adopted a zero-based budgeting approach. For the first two to three months we cut both good and bad costs. By May–June, we formed a Rapid Response Team comprising the CFO, CHRO and COO who picked six to seven areas to work on bad costs that could go down.
- **Conserving cash:** We drew our credit lines right at the beginning to avoid undue stress.
- **Community:** Among other things, our CSR spends were geared towards the pandemic. We provided meals for 5,000 people per day from our factories. We also launched a portal with NGOs from Mumbai to provide food to quarantine centres, and created a platform that allows the public to donate money for providing meals to the needy.
- **Changes in our business model:** With digitalisation picking up, we noticed a change in preferred business models – for example, people preferred ordering things online. At that point, we launched CEAT masks to show we stand for safety.
- **Customers:** We interacted a lot more with them, reassuring them and to strengthen our connection.

As a result, people began to think of CEAT as a company that genuinely cares. By June–July, business picked up much better than we expected, particularly for us in the replacement market. Also, external changes and government policies helped mitigate the crisis.

With demand having picked up in India and elsewhere, economies too are beginning to look up with little or no downturn. A positive mindset has set in with the vaccine roll-out, and I am optimistic about business growth going forward.

Digital transformation

Building digital capabilities for effective decision making

For the last four years, digital transformation has been one of our top three priorities. We are quite advanced in terms of where we stand on the digital transformation journey – be it from a competitive perspective or even benchmarking against other industries.

We consider digital end-to-end, and digital and R&D are two strategic areas where we have not cut costs. We are ensuring all our factories are more digitally enabled – with sensors in place, installation of MES in the factories, and the SCADA network so that we can work towards IoT over time. We would also like to use AI and analytics to make intelligent sales calls and promote online sales, but not all the data we need to make effective decisions is currently available. We are working towards that, however, and our dealer dashboards – to which all territory leaders have access – have helped save significant time while resolving customer issues.

In this context, upskilling people is equally important. While we initiated training programmes – green belt, a compulsory programme to create awareness about emerging technologies; brown belt, a programme undertaken by our transformational teams; and black belt, which is a notch higher – more remains to be done. This year, our biggest focus is enhancing capability and using technology to add value across the board.

Family dynamics

Nurturing a codified value system

We have been quite professionally run as a company from the early 1990s. We have had CEOs empowered to run the company and we follow the same practice to date. The group is federally run with no strong central structure. The CEOs are quite independent and if they would like to create a distinct culture in their respective companies, they are free to do so, and that culture could differ from another company's culture.

The common thread that binds these companies is the people processes that my father believes in. For him, people are the main drivers of success; so that is what he, in a way, controls at a central level with the HR officer at the group level. Besides, there are some senior management recruitment systems, ways of reviewing people and performance management systems that are common across the group.

On the family front, only my father and I are in the business as my sister is married and runs her own independent business. Within the family, there are no formal written rules, and while we do not have a mechanism for conflict resolution, if there is a conflict, maybe we don't talk for three to four days, following which we meet and settle the matter.

ESG

Initiatives to drive the sustainability agenda

ESG has been one of our top priorities over the last one-and-a-half years, the other two being digital and values with an element of purpose in it. We moved to integrated reporting last year, and I think in governance, we score 9.5 on 10 as there is no lack in the area of governance.

On the social side, we are already strong on CSR, which is headed by my wife. Diversity and inclusion is important – especially gender diversity on the shop floors and recruiting people with disabilities. Currently, 30–50% of women on the shop floors are making tyres, while we have engaged 50 people with disabilities.

Over time, sustainability will become more important as government regulations are tightened and Gen Z too values companies that give back to the environment. We also have a vision of bringing down our carbon footprint by 50% over the next 10 years. For this, we have invested about INR 50 crore to make all our factories solar – as much as possible without power fluctuation risks. We have currently done this for one factory and are now working on the others.

G. V. Prasad
Co-Chairman and Managing Director, Dr. Reddy's

Dr. Reddy's Laboratories is an integrated global pharmaceutical company, which operates through three core segments – Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products. These include Biologics and Formulation businesses in branded and unbranded markets, integrated drug discovery programmes with innovator companies, and manufacturing services offered to them. The company's strengths include chemical synthesis, formulation development and manufacturing, clinical and regulatory expertise, a robust global supply chain and strategic networks.

On resilience and growth

Observations and key learnings from the pandemic

It was our good fortune that the pharmaceutical industry did not see the downside of the pandemic, despite challenges related to supply chain and workforce management. Our other businesses however – such as the hotel business – were impacted severely. But we acted quickly and focused on the cost structure. Also, as we are not burdened with excessive debt, that helped us remain resilient and get back to our pre-pandemic level.

As soon as the crisis hit us, we decided that our top priorities were to: (1) maintain the supply of critical medicines; (2) keep our employees safe.

To keep the supply chain going, we invested in additional facilities and safety operations. We rearranged shifts, and to minimise risk we changed the mode of transporting our workers safely to work. Although all this led to a significant increase in costs, we refrained from job cuts and salary cuts. Employees were appreciative of the way we took care of them. As many fell sick, we formed a team to monitor their hospitalisation and ensure that we didn't miss any aspect of care.

In the course of our journey over the years, there are three factors that have helped us remain resilient:

- **Science- and technology-led patient-centricity:** Our ability to leverage science and technology to create the best solutions for patients worldwide.
- **Talent and people practices:** We on-board the best people in the business, align the top teams and empower them.
- **Governance:** We are as transparent as possible with our people. We also communicate effectively to let the world know how we work and generate value.

Digital transformation

Building digital capabilities for effective decision making

Digital is no longer a choice but a compulsion – be it a family business or a non-family owned enterprise. For three decades, we have been investing in technology, and have some clunky platforms that are difficult to simplify. So, our challenge is different from that of the new age companies. We have to upgrade our older platforms, simplify and reimagine our processes, and use the new tools to create value. We need to evolve and improve our digital quotient. In areas where we have digitalised recently, we are able to bring in the best-in-class technology to improve processes and facilitate ease of business.

In fact there are no two ways about it: We have to invest in digitalisation and use digital to improve speed, scale and optimise operating costs. We cannot work in a non-digital environment and compete with other digitalised businesses. This transformation demands strategic thinking to pick the right technology, zero in on platforms to invest, understand the impact they will create and prioritise.

This in turn entails upskilling people, especially those in middle management, who need to understand the technology and leverage its power. Accordingly, we have developed many learning opportunities for our people. For instance, Digital Ninja is an initiative wherein if employees complete a certain number of courses that are free of cost, they become 'digital ninjas'. These courses can help fast-track their career progression.

Digital transformation goes hand in hand with cyberthreats. Last year we had a cyberattack that caused a significant amount of damage. Going by my experience, I think investments need to be threefold:

- software and platforms to be used to create workflows and connect with customers seamlessly
- upskilling to be fit for the future, investing in capability building, developing use cases
- cyber security.

Family dynamics

Nurturing a codified value system

In our company, as the two of us [Kallam Satish Reddy and G. V. Prasad] have run the business for a very long time, we know each other well, we've built trust and we can predict how each of us would think and act. But I can see now the need to work on managing the family and preparing the next generation. Succession planning, articulation of family values, aligning all the stakeholders – these are still work in progress but key areas for us to focus on now.

While there is alignment on the underlying value system, we don't have written processes within the family. With the obligation to prepare the next generation, we need to start the process at a fairly early stage when they begin their internships. That's where one starts imbibing values, the right behaviours and culture. But prior to that, it is important to check if they are genuinely interested in joining the family business. As role models for them, we should also actively prepare them to be more capable owners, not absentee owners or owners who are not fully engaged

ESG

Initiatives to drive the sustainability agenda

We adopted the sustainability framework two-and-a-half decades ago and have been evolving ever since. Good governance for us has always been key and we have upgraded our practices to world standards since 2001. As far as social impact is concerned, we have many CSR initiatives on livelihoods, education and health. Most of our budgets are focused in these areas.

During the pandemic, we arranged, in partnership with Akshaya Patra Foundation, over 25,000 meals per day for migrant workers for nearly two months. The NGO executed the task and we funded the programme. The purpose of a pharmaceutical business is self-evident – we save lives, we provide affordability. So social impact is built into our purpose.

In my view, the E part of ESG is the biggest challenge for Dr. Reddy's. There is clearly a lot to do to accelerate our progress in the areas of climate change and environmental impact. We have not been able to decouple our scaling from the rise of emissions. While we are doing a lot to improve our use of renewable energy, it is still a small part of our energy footprint. We need to see how we can be truly sustainable in terms of our supply chain, the materials we use, the energy we consume, the water we use. We've set some very tough targets: We've achieved some of them and we are making progress on the rest. Our sustainability report ensures a high level of transparency on our performance and progress. At the board level, our Science Technology and Operations Committee tracks our ESG performance. There is always more to be done, and we are committing ourselves to continuously improving our performance on ESG.

I believe each of us at an individual level should think about our planet and also about our businesses. Family businesses can show their commitment to the planet and motivate their workforce to make a difference. Companies that are purpose driven are respected by their employees. Therefore, sustainability in companies should be mandatory. It should become the underlying framework of the ecosystem we are all part of.

Priya Paul
Chairperson of Apeejay Surrendra Park Hotels

Apeejay is one of India's oldest and largest business conglomerates. The group's businesses are spread across tea (plantations and FMCG brands), shipping, hospitality, real estate (commercial and business centres), retail brands (bookstores and tea rooms), marine cluster; logistics parks and knowledge parks.

On resilience and growth

Observations and key learnings from the pandemic

Apeejay Surrendra Group is a diversified group and we have varied businesses. Some did well; some faced challenges, but still performed better than expected. Resilience is in our genes.

Hospitality was hit hard by the pandemic. But we kept most of our hotels open, ensuring necessary maintenance. In April 2020, we had 9% occupancy. Our teams began to look at new businesses and opportunities, be it quarantine or medical support, and we managed to increase the occupancy rate to 88% in December 2020. We survived, to say the least, and thankfully on our own steam.

We organised teams to perform four principal tasks:

- managing the COVID-19 response and communicating with customers on compliance with new directives
- looking at all costs during the pandemic
- reinvigorating our brands
- communication – not just among family members but also within our different businesses.

Our hotel in Bengaluru came up with an innovative idea of not only delivering food, but also medicines and essentials to the elderly community living near the hotel. Later in June, when small gatherings were allowed, our team began to cater to small events in people's homes.

In March 2020, our confectionary business, Flurys, with 40 outlets was shut down. The factories were closed for only one day as our team convinced the government to let us continue to work. We converted this retail business to a delivery business, providing essentials – bread and cakes – like an old-fashioned distribution business to housing societies. So, our teams were not just resilient; they were equally agile and creative.

Keeping our people safe and secure was one of our priorities at that time. As Chairman of the company, owner and manager, I am very hands-on, but I feel sometimes one has to let go. As a family, we took wage cuts to sustain our employees, but there were some on contract whose services had to be discontinued. With the business improving, we are taking people back. I believe it will be another six months before we are confident of moving ahead.

Digital transformation

Building digital capabilities for effective decision making

In the hospitality business, we have succeeded because 45% of our business is digital – be it managing processes on the customer side or creating and building demand using an AI-based reservation system that can forecast and drive demand. I would like more automation and more digitisation, and we still need to invest in new technology for our group financial management systems and consolidation of accounts, although there isn't always a calculable ROI on these investments. In fact, in some instances, we also deal with resistance to technology because it brings in transparency and agility. With technology comes upskilling, essential in family businesses in particular, for both career progression and improving productivity.

Going forward, we are likely to see more of a hybrid work model. One thing we miss out on by not being in office is culture creation. Events and gatherings are important for team building and onboarding as man is social by nature, and culture can't be built virtually.

Family dynamics

Nurturing a codified value system

Our business was started by my uncle and father. My uncle was the first chairman, then my father. With my father's demise, the family business was split. In 2000–01 my brother, sister and I worked with Klaus Schwab, articulated our vision and mission statement and values. All three of us have equal shareholding and equal vote, and in a crisis, my brother, as Chair, gets an overwriting vote. We have a common and shared vision for the business. Family, for us, comes first in many ways. In a family business, one is successful only because one is part of the family, not because of the business.

We siblings also spend time together and that helps align our family business with our purpose. While we have a shareholders' agreement and governance documented, we now need to look at succession planning. While we have three family business verticals – each of a significant size and other smaller businesses – we also need to examine them and plan for the future. The NextGen in our families are mostly teenagers. We would give them the option to understand the business and then make a choice. For us, our parents created an environment such that we were able to follow our calling. For our children, I think we would encourage them to take responsibility for the choices they make. Our businesses are large enough for them to come in at different levels. And then maybe, ten years from now, they may not even be interested in the family business.

ESG

Initiatives to drive the sustainability agenda

For the relatively newer hotels constructed 2010 onwards, we have been able to use building practices to make the buildings energy efficient and more sustainable. We are also getting three to four air conditioning plants that have lower emission and are far more efficient. Over time, we will start moving to electric vehicles. Such decisions, however, may be difficult to implement this year. But we can look at our costs, recycling, conserving, and focus on issues such as food wastage and use of plastic. We also need to focus on clean air and reduction of emissions that could actually improve our health and the environment gradually.

In terms of community involvement, for us, sustainability is working with craftsmen and with the local communities wherever we are. We need to look at livelihoods as part of the tourism ecosystem – working with all types of communities that are in and around our properties.

While the social and governance aspects of ESG are covered, we need to be on top of the E agenda. I think we have a goal to transform to clean fossil fuels by 2030. In our shipping company, which is a global business, we've started cleaning the fuels, shifting to sulphur-free fuels following the protocol scopes. In a city environment, we may be compliant as a business, but we need to influence the communities and governments to implement the changes. That in turn will help us become far more sustainable as a business group.

Ranjan Pai
Chairman, Manipal Education and Medical Group

Consolidated in 2004, Manipal Education and Medical Group (MEMG) operates three universities in India, which are recognised by the University Grants Commission. Separately, the businesses and other initiatives of the group were restructured, where activities of a similar nature were clubbed under four key verticals of education, healthcare, research and foundation.

On resilience and growth

Observations and key learnings from the pandemic

This was the first time when all our business plans in three of our verticals – global and domestic education, healthcare and health insurance – were put to the test. But with the entire world being in the same boat, the level of empathy – be it from employees, vendors or investors – was higher and daily and weekly review calls increased open communication.

The pandemic hastened the process of online education policy. We believe in the coming years online education will be a huge growth driver for the Manipal Group. On the campuses, the first three weeks went into adapting to learning online. As many students have not been able to go abroad, we also saw a record number of admissions at our campuses in Jaipur and Manipal.

In healthcare, we were initially hit badly because of the nationwide lockdown. But there was no pay cut for our frontline workers. Those at a higher level – management staff and hired specialists – took a pay cut, but now things are back to normal.

When COVID-19 was at its peak, we had reserved 50% of our beds for those infected. Health insurance was also impacted by the lockdown, but we are now back to seeing good conversion rates as there is a huge surge in people wanting insurance.

One of the principal reasons for our resilience has been our people. From the ground level to the top, they came together to help us emerge stronger from this crisis. Having an eye only on the bottom line is not the right strategy. I believe, if you treat your people well, they reciprocate in a thousand ways.

The economic outlook is positive. We will have some tailwinds for growth. There is a positive push in both healthcare and health insurance. The enrolment rate in education is also high. If the government continues with the new policies, that would also be a huge driver for growth.

Digital transformation

Building digital capabilities for effective decision making

The pandemic has taught us that organisations must not only be nimble but also have a strong digital strategy. Digitisation provides opportunities for our three diversified businesses.

Digitisation of our entire curriculum has been our priority to deliver higher value education. This will enable the use of flipped classrooms and help deliver better quality lectures rather than didactic ones. The same applies to healthcare too. With our quick transition to the digital app, we now do 300–400 consultations online compared to zero before the pandemic.

Amidst all this, upskilling has been an ongoing but critical journey for the right outcomes and effective use of digitisation. We need to have the right delivery model – B2B or even B2B2C. In both insurance and healthcare, digitisation has been easier to adopt as the people in these two sectors are younger and easier to train. Besides, when you digitise a hospital, the workflow makes it compulsory to get up to speed. In education, it is more challenging as the faculty is used to teaching in a certain way. One needs to figure out how to bring technology into the classroom, have flipped classrooms and provide better outcomes for students.

Family dynamics

Nurturing a codified value system

I see Manipal less as a family business and more as a professionally managed business with the family and me as shareholders.

As an involved stakeholder, I promote the brand Manipal and a strong value system. For me, integrity is a non-negotiable, critical factor. I also believe in allowing enough professional freedom for people to flourish in the organisation. It is important to play the role of a champion, but not tell people how to run the business. That's a very thin line but luckily for me, as I grew up in the business with my father as my mentor, I realised what works.

No two people are the same, so a beacon of values may not always work. In family businesses, this is more so. When it comes to the next generation, things get even more complicated. That is also because it is not easy to resolve conflicts in a family business by simply opening up the rulebook over a family dinner!

The best model, I think, is to have family members only on the board to provide guidance. If they are involved in the running of the business, problems may arise and that can lead to resentment down the road. I have two daughters and I would like to ensure they do not get into the running of the business.

If the next generation is not interested in the business, rather than reduce shareholder value, a sell-out should be considered. There should also be a clear family document outlining the risk money for the next generation to use.

ESG

Initiatives to drive the sustainability agenda

ESG has been a board-level agenda item for us for the last decade or so. Our campus near Jaipur has been awarded with Leed – Platinum and GRIHA five-star ratings for Energy Conservation and Environment Design. The LEED Platinum and GRIHA five-star ratings have been awarded for consuming 76% less energy for air conditioning, rainwater conservation and rectification of impure water, consuming 50% less fresh water, and using 100% LED lighting, among other things. In Bengaluru, too, we are trying to work towards a zero-carbon footprint on our premises. On the hospital front, we are buying solar power directly from the grid and, wherever possible, we use rooftop solar. So ESG, for us, is not a buzzword but rather part of our DNA.

Shyam Sunder Bhartia
Founder and Chairman, Jubilant Bhartia Group

The Jubilant Bhartia Group has a strong presence in diverse sectors like pharmaceuticals, contract research and development services, proprietary novel drugs, life science ingredients, agri products, performance polymers, food service (QSR), food, auto, consulting in aerospace and oilfield services. Jubilant Bhartia Group has four flagships companies – Jubilant Pharmova Limited, Jubilant Ingrevia Limited, Jubilant FoodWorks Limited and Jubilant Industries Limited. Currently, the group has a global workforce of around 42,000 employees.

On resilience and growth

Observations and key learnings from the pandemic

- When the pandemic hit us, our primary concern was the safety of our people. Once we addressed this, we began to focus on normalising our operations, particularly ensuring all the facilities, including our stores for the foods business, operated in a safe and secure environment. Cash management, in particular, became important, along with reducing cost of operations. We also reduced capex costs, delaying the implementation of various non-strategic projects.
- Our resilience ensured that within a short period of time, our facilities began operating almost at full capacity. All our Domino’s stores were back in operation, factoring in relevant state restrictions, and we were able to effectively meet our customer demands and quickly bring our supply chain back to normal.
- I feel optimistic about global economic growth. The critical driver here is the vaccination roll-out. Economies, I think, will grow much faster, despite the contracted base level we will witness this financial year. So next year’s growth will be much stronger.

Digital transformation

Building digital capabilities for effective decision making

- The most visible impact of digitisation for us during this crisis has been in Jubilant FoodWorks. In recent years, we developed a mindset that selling pizzas is a technology business. This is not to undermine the importance of strong operations – good quality pizza delivered on time within 30 minutes; hot and fresh! But it is more to highlight the change in our philosophy.
- As a result of the pandemic, we observed that 95–98% of orders were coming in via the digital medium – either through our own app or through aggregators. Both delivery and takeaway business demand from digital improved significantly during this period. This is a great example of the B2C impact of digitisation. Also, given that we run 1,300 stores in 285 cities, 12 hours a day, 365 days a year, supply chain is critical. Digitising this and implementing digital for business/store profitability and store management has been imperative.
- Digital transformation necessitates upskilling of our people. We have done that in our food business, where we have our own technology division of people who continuously innovate and improve processes.

Family dynamics

Nurturing a codified value system

We are governed by what is good for the business, drives shareholder value and enhances corporate governance. We believe that if we create shareholder value, we too grow. While we have CEOs to run the businesses and look after the day-to-day operations, we, as family business owners, are involved with the company's strategy usually on a five-year basis, and with budget planning and capital allocation.

To build cohesiveness and a sense of unity, at least once a year, the entire family – including children and grandchildren (but no friends) – plans a short holiday.

I believe India continues to provide a great opportunity for entrepreneurs. It is an exciting time to do business in India. Our children believe in the India story. That is why they are living here and maintain strong Indian roots. But at the same time, we remain globally connected with an eye on global opportunities and expansion.

ESG

Initiatives to drive the sustainability agenda

The ESG focus is no longer a nice to have; it is a business imperative. We publish annual sustainability reports, certified by established auditors, containing information on what we propose to do in the next three to five years to address environment, health and safety aspects, on our current water consumption, and steps we are taking to reduce water consumption.

CSR in the Indian context is important. As Jubilant businesses impact society, at the first level, we focus on people and society within our facilities. We talk to them to assess their needs, and invite them to have a larger say in our operations and feel more engaged.

I think ESG will bring in much more transparency into the system. I strongly believe that those businesses that are not focusing on ESG and are not embracing the sustainability agenda will perish. Take China for example. Many Chinese companies had thrived on an unchecked basis. But after its government increased its ESG focus, many plants shut down, with companies scaling down operations to control the negative environmental impact. Looking at India, we may see a similar pattern emerging. So it is imperative to adopt ESG and the sustainability agenda going forward.

Methodology

About the Family Business Survey

The Family Business Survey is a global market survey of owners and executives. The yearly turnover of participating companies ranges from under USD 5 million to more than USD 6 billion. The goal of the survey is to get an understanding of what family businesses are thinking on the key issues of the day. All results were analysed by Jigsaw Research.

2,801 online surveys conducted in 87 territories between 5 October and 11 December 2020.

Europe
1,061

Middle East
73

Africa
231

North America
205

Latin America
413

Asia-Pacific
817

Note: Sum of surveys doesn't total to 2,801, because one respondent was unable to select a territory.

Source: PwC Family Business Survey 2021

Acknowledgements

We would like to thank the 84 Indian family business owners for sharing their insights and perspectives around the key themes from the survey with us.

We would also like to acknowledge the contributions of the PwC colleagues who have supported us in engaging family business owners in their territories and encouraging them to take the survey. Their commitment, networks and dedication were critical to the success of this project.

Family business interview participants

We would like to extend our thanks to the family business owners:

Ajay Arora, D'Décor

Ajay Shriram, DCM Shriram Group

Anant Goenka, CEAT

Farhad Forbes, Forbes Marshall

G. V. Prasad, Dr. Reddy's Laboratories

Priya Paul, Apeejay Surrendra Park Hotels

Ranjan Pai, Manipal Group

R. Dinesh, TVS Group

Shyam S Bhartia, Jubilant Bhartia Group

Report production

We would like to thank the following for their contributions:

Jai Bhatia, Director, Entrepreneurial and Private Business, PwC India

Vishnupriya Sengupta, Director, Advisory, PwC India

Iryna Oksiuk, Entrepreneurial and Private Business, PwC India

Francesca Ambrosini, Global Entrepreneurial and Private Business, PwC UK

Cydnee Griffin, Global Entrepreneurial and Private Business, PwC US

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About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Find out more about PwC India and tell us what matters to you by visiting us at www.pwc.in.

PD/April 2021-M&C 12010