

PwC India Next Gen Study 2018

Driving growth through change



83%

of the next gen think it's important to continuously innovate products and services.

81%

feel that it's necessary to have a strategy fit for the digital age.

81%

have clear ideas on taking the business forward.

50%

expect to manage the family business one day.

‘The expectation is to continuously innovate, evolve and bring new technology to our marketplace. The most exciting part about our business is the ever-evolving technology. We are well prepared for innovation. I think one of the reasons why our customers like us is because we go to them with technology that should come after 3–5 years.’

Arjun Jindal

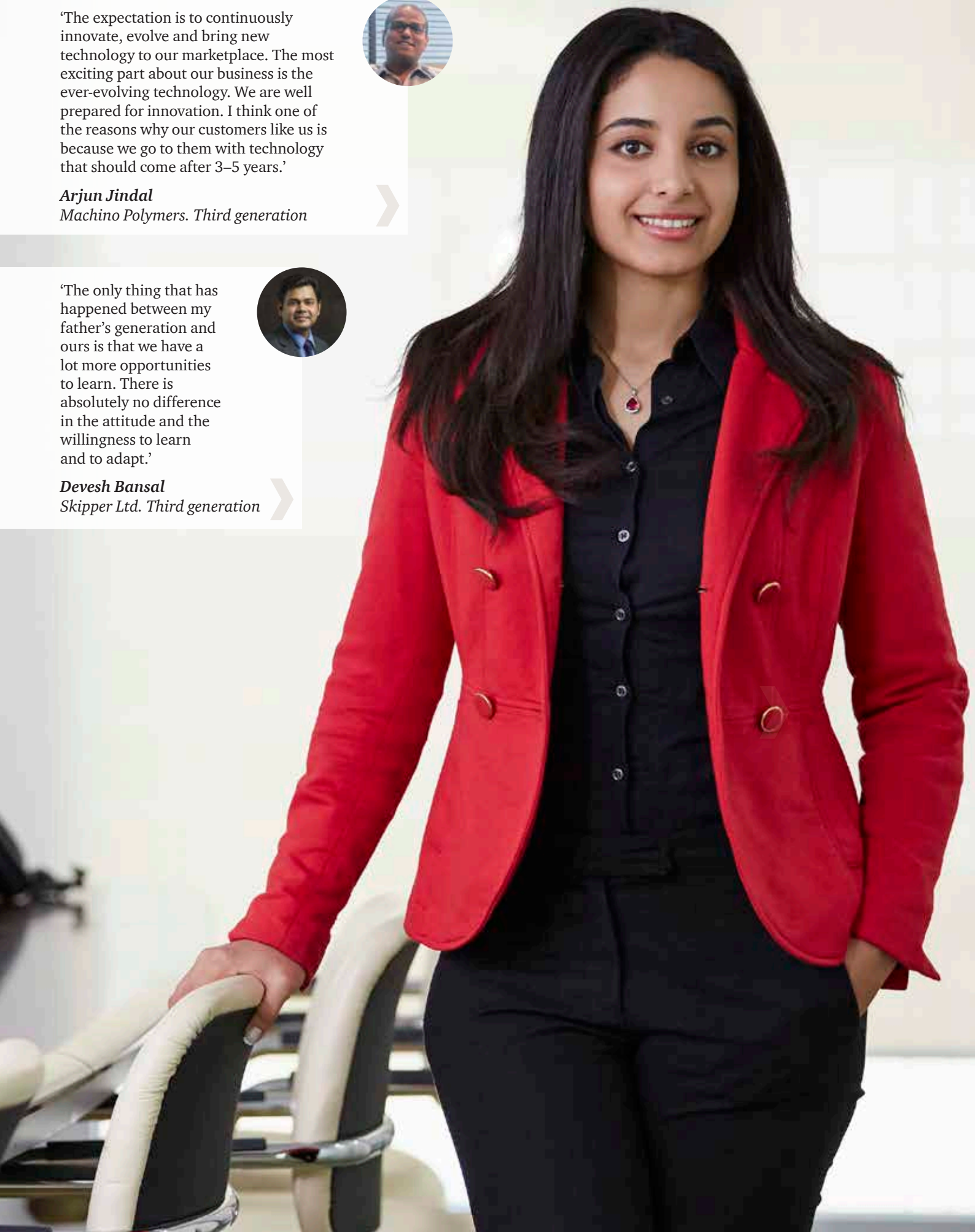
Machino Polymers. Third generation



‘The only thing that has happened between my father’s generation and ours is that we have a lot more opportunities to learn. There is absolutely no difference in the attitude and the willingness to learn and to adapt.’

Devesh Bansal

Skipper Ltd. Third generation



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Foreword



Ganesh Raju K
Partner and Leader,
Entrepreneurial and
Private Business

A couple of years back, we at PwC surveyed 268 next gen entrepreneurs across the world and our findings were published in the report Next Gen Survey 2016, ‘Great Expectations: The next generation of family business leaders’.¹ This year, we carried forward some of our conversations to assess what steps the next gen have taken to handle some of the challenges they spoke about. How are they bringing about change in their business and their views on business strategy? How are they enabling their businesses to adapt to and adopt digital and technology? What are their views on innovation? How are they making themselves heard by family business leaders? How are they exploring the set-up of their own ventures?

This year, globally, we spoke to/pollled 137 next gen entrepreneurs. The findings of this research are presented in our report ‘Same passion, different paths’,² which speaks about four categories of next gens: stewards, who focus on protecting the profitability of the family business and ensuring its long-term sustainability; intrapreneurs, who set up their own venture within the family business, often with family business backing; transformers, who look at driving change in the firm; and entrepreneurs, who set up their own venture outside the family firm. The report further says that irrespective of the path chosen by the next gen, there are five factors which determine success: culture, communication, clarity, credibility and commitment.

In India, we had in-depth conversations with 9 next gen leaders and their stories are captured in this report. We also polled 36 next gen entrepreneurs and our study captures both the global and Indian findings. We also share with you some personal insights from the next generation of family business leaders—the path they took, how they work with the family and how they look at leading through change.

The family business case: Reinvention, regeneration and adaptability

Family businesses are the backbone of the Indian economy. In our Family Business Survey 2016, ‘Aligning with India’s growth story’,³ we spoke about the role of family businesses. I would like to reiterate some of the thoughts here: ‘In India, the role of family businesses in nation building, wealth creation, employment generation and contribution to the exchequer is both significant and commendable. While some Indian family businesses have followed the same lines of businesses started by their fathers or grandfathers and grown these significantly, others have diversified considerably by setting up new businesses, exploring new sectors and markets, expanding geographically and increasing their global footprint.’

Each successive generation reinvents, regenerates and adapts on account of changes in thought processes across generations as well as changes in the external environment. This could not be truer today when we see technology both disrupting and enabling business enterprises. While some are able to leverage technology and stay ahead of the curve, those who aren’t able to, or perhaps are not willing to, are unfortunately getting left behind. The cause for digital, innovation and technology change is one which is very close to every next gen’s heart.

Dealing with digital and technology changes and innovation

Perhaps that’s why 81% of the Indian next gen leaders feel that it is important to have a strategy in place for the digital age. Yet only 53% felt that their company performed well on this front (of which only 11% say they performed very well). Further, 83% feel it’s necessary to continuously innovate their product or services.

¹ PwC. (2016). Next Generation Survey 2016. Retrieved from <https://www.pwc.com/gx/en/services/family-business/next-gen-survey.html> (last accessed on 29 March 2018)

² PwC. (2017). Next Gen Study 2017 – Same passion, different paths. Retrieved from <https://www.pwc.com/gx/en/services/family-business/next-gen-study.html> (last accessed on 29 March 2018)

³ PwC. (2016). PwC India Family Business Survey 2016. Retrieved from <https://www.pwc.in/publications/family-business-survey-2016.html> (last accessed on 29 March 2018)



Strategising for the future

Most of the next gen we spoke to have postgraduate degrees, a number of them in entrepreneurship, business management, engineering or finance. A few have also worked outside the family business, both in India and overseas. With their global outlook, the next gen are keen on bringing their learnings and experiences into the family business. This could very well be the reason why most (97%) lay emphasis on the need for having a clear-cut mid-term strategy along with a clear and documented long-term plan (67%). Our survey of family business leaders in 2016^{4,5} revealed that planning for the middle years was not given as much importance as the long-term strategy. The next gen are more than ready to recognise the need for bridging the gap between the present and the long term.

Working with the family in the family business

From our conversations with family business leaders and the next gen, we have historically found that the next gen faced three kinds of gaps with the current generation—the credibility gap, the generation gap and the communication gap. Family dynamics, the culture of the business and the degree of autonomy and independence given to the next gen play a crucial role in defining the next gen's career paths and decision-making ability. Most of the next gen we spoke with said that they performed better and learned more when they were given the room to make decisions and, more importantly, make mistakes. There is an ask from the next generation to move away from the traditional, hierarchical way of doing things and to delegate and decentralise more while ensuring there is clarity and demarcation of roles and responsibilities across the

company and an openness to accepting new thoughts and ideas. Modernisation, professionalisation and bringing in external subject matter experts, digital and innovation—all of these are important to the next gen. Again, a lot of this can be attributed to the education and experiences of the next gen while away from their family businesses.

The next gen acknowledge that to make their transition into the business smooth, it is imperative that they have patience, listen to experienced business leaders—family or non-family—and convince their parents and teams by making decisions and executing them on the basis of information, study, trials and preparation. Commitment to the business and willingness to invest time are critical for the two generations to work together.

Ownership vs management

When we surveyed Indian family business leaders in 2016, we found that only one-third planned to pass the business fully on to the next generation, while half planned to pass on ownership of shares while bringing in professional management. Let's compare this to what we have heard the next gen say: 50% expect to be managing the business; however, till date, this has been agreed upon only for 19%. Further, 16% are in senior roles/expect to take up senior roles but don't expect to manage the company, while another 17% are looking at ownership and not management. As more and more next gens get inducted into the family business or leverage the family business for their own ventures, it is necessary that next gen roles are clearly articulated while considering their expectations and ambitions as well as the current generation's outlook. This is imperative for successful transition, in the business and in the family.

Methodology

45

Interviews were conducted in India, including 9 personal in-depth conversations

137

Interviews were conducted globally

Interviews and e-polls were conducted between 1 June and 15 August 2017. The findings in the report are based on the global and Indian samples.

⁴ PwC. (2016). PwC India Family Business Survey 2016. Retrieved from <https://www.pwc.in/publications/family-business-survey-2016.html> (last accessed on 29 March 2018)

⁵ PwC. (2016). 2016 Family Business Survey. Retrieved from <https://www.pwc.com/gx/en/services/family-business/family-business-survey-2016.html> (last accessed on 29 March 2018)

Dealing with business issues

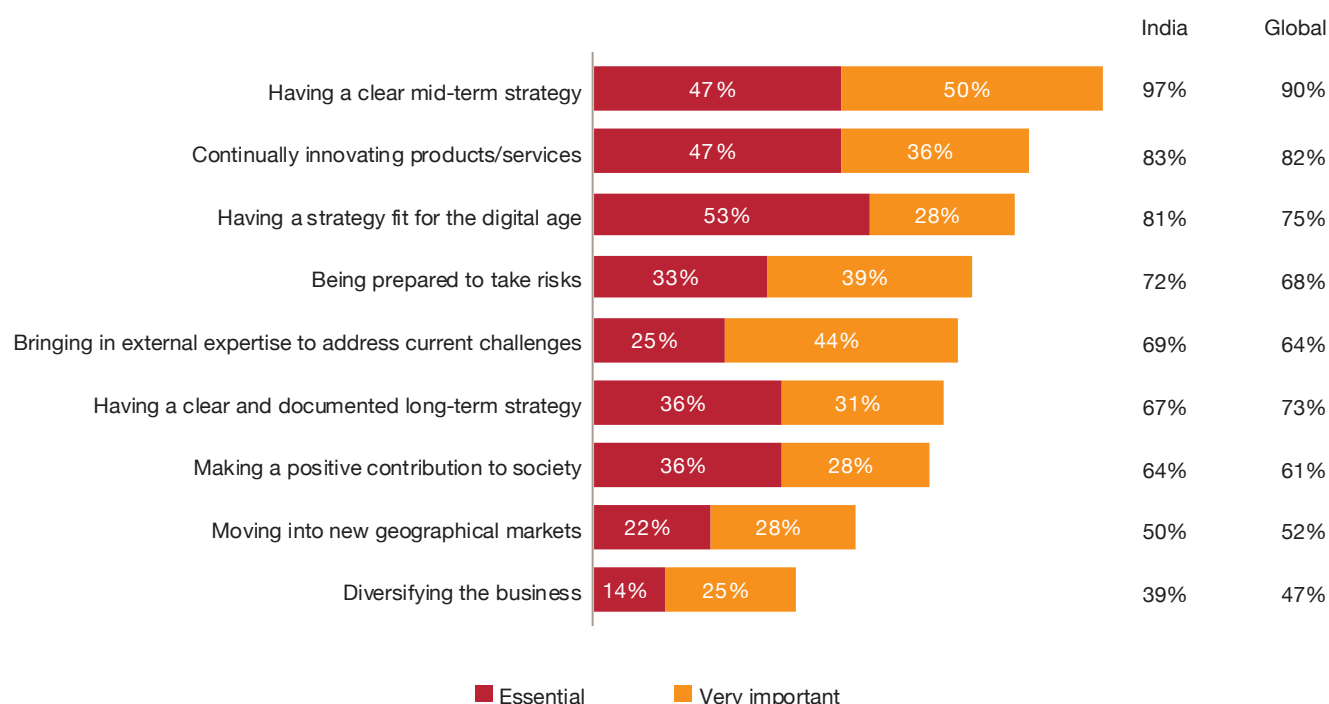
An overwhelming majority (97%) of India's next gen leaders have told us that it is necessary to put in place a clear mid-term strategy for the success of a business. They have ranked this as the most important business issue in their organisations. It is evident that the next gen leaders are trying to bring into the family fold the learnings they have acquired through their education and exposure to global and Indian work cultures outside the family business.

The 'missing middle', which is the gap between the current and the long-term plan, is an essential aspect of business planning, and our Global Family Business Survey 2016⁶ highlighted how this doesn't figure as a business priority in family business houses. Family businesses advance keeping their long-term vision in mind, and at times, become more absorbed with the day-to-day functioning of the business. Amidst all this, medium-term planning around matters such as technology and talent gets ignored.

We noticed that development of a long-term strategy is low on the list of business priorities, perhaps because this is a given in most organisations and thus not many view it as a concern. However, while most family businesses may have envisaged a long-term strategy, 67% of the next gens in India (73% globally) feel that it's important to have it clearly documented, perhaps to ensure that the organisation remains focussed and goal oriented. Yet, only 44% of Indian and global next gen leaders feel that this business issue is being tackled well (refer to the graph alongside).

While long-term planning is visionary, a mid-term strategy is developed for operational planning. Disruption and the ever-changing landscape are compelling next gens to focus on this missing middle. It is also vital to revisit the long-term plan frequently and suitably mould the mid-term strategy.

Importance of business issues



Q: How important do you think the following issues are for your company?

Base: All India respondents (n = 36), all global respondents (n = 102)

⁶ PwC. (2016). 2016 Family Business Survey. Retrieved from <https://www.pwc.com/gx/en/services/family-business/family-business-survey-2016.html> (last accessed on 29 March 2018)



Technological and digital disruption has made it mandatory that companies think continuously of innovation in their products, services, processes and practices. India ranks 60th on the Global Innovation Index of 2017.⁷ A majority of Indian family business leaders (56%) feel that the need to continuously innovate is a key challenge over the next five years.⁸ The next gen realise this need even more, with 47% saying that it is an essential issue which needs to be tackled and another 36% saying it is very important (refer to the graph alongside). Yet, while there is an appreciation of this concern, only 14% of the next gen feel their company is responding very well to this issue, while 58% feel they are performing fairly well. There is clearly a need to further push the cause of innovation, particularly in the current economic environment, where public policy and reforms are paving the way for an increased entrepreneurial mind-

set and the rapid pace of technological changes is making products and processes obsolete faster.

More than half of the next gens we spoke to (53%) (refer the graph alongside) have stated that digital is one of the most essential issues which needs to be looked at by the business. However, we find that only 11% of the next gen feel they are performing very well on this front, while 42% opine that they are performing fairly well. The significant pace at which technology is enabling platforms, processes and systems to bring about expansion in the business is something which cannot be ignored. From retail companies to manufacturing, from healthcare and pharma to oil and energy businesses, digital platforms are being set up, enabled, expanded and modified continuously. For Anindith Reddy, Apollo Hospitals (third generation), 'The digital health consumer in the country is very mature. Rebuilding

Company performance on business issues



Q: And how do you think your company is performing in terms of addressing these issues?

Base: All India respondents (n=36), all global respondents (n=102)

⁷ Cornell, INSEAD, & WIPO. (2017). The Global Innovation Index 2017. Retrieved from <https://www.globalinnovationindex.org/gii-2017-report> (last accessed on 29 March 2018)

⁸ PwC. (2016). PwC India Family Business Survey 2016. Retrieved from <https://www.pwc.in/publications/family-business-survey-2016.html> (last accessed on 29 March 2018)

the whole system takes time. So we looked for small wins in terms of integration with and directly complementing SBUs or service lines. At the same time, we continued to look at a larger integration strategy. Some of those were standards that have been defined by international healthcare organisations.’ Read more on the digital outlook of the next gen leaders on page 22.

Given this background and the ever-changing landscape, the next generation is cognisant of the fact that the business will need to take risks to achieve growth. The entrepreneurial spirit of the next gen is high, and while 72% of the next gen in India recognise risk-taking as an issue, only 56% feel that their business is sufficiently organised to handle the risks it faces—internal or external. For the rest, perhaps there is an impetus to engage in risk-taking, but they are more cautious as they feel their business is more vulnerable. This could be because their business is not appropriately designed to handle risk or they don’t have an appropriate methodology for risk management. With the five megatrends⁹ reshaping business dynamics, business risks will evolve and perhaps be magnified exponentially. Therefore, businesses will need to evolve their risk management strategies and build a buffer against changes—expected and unexpected. Today, there is a business imperative to have a suitable risk framework in place. Globally, 68% of the next gen recognise risk as an issue and 69% feel that they will be able to handle risks well by ensuring self-preparedness as well as preparedness of the business to manage risk.

There is a growing recognition within family businesses that some of the challenges may warrant the help of external subject matter experts—either as employees or as consultants. Promoters are increasingly recognising the role that professionals/external subject matter experts can and do play in business success across functions. Additionally, having worked outside family businesses, the next gen recognise that there is a need to consult external experts and, more importantly, take their suggestions on board on specific areas. Our survey of family businesses revealed that attracting external talent is a major challenge given that professionals are often not given a clear career path in

the enterprise. Which is perhaps why only 8% of the next gen feel that their organisations are handling this issue very well. Read more on professionalisation, career paths and business transition on page 10. Also read our 20th CEO Survey¹⁰ – Private company view, ‘Undaunted, but underprepared?’ which lists some tips on attracting and retaining talent.

The next gen take a lot of pride in contributing to philanthropic projects. The values of a family business are defined by previous generations and in India, given that family businesses have been contributing to social causes for a while, the next gen are more than happy to continue the legacy. Which is perhaps why 25% feel that their businesses are performing very well in this area—a stark difference compared to other business issues, where a majority of the responses stand at ‘fairly well’. Social contribution is usually centred around the upliftment of employees and their families and giving back to areas around the business premises/within the business community. Funding of independent schemes and projects is rarer.

Today, India is one of the fastest growing major economies in the world. According to India’s Economic Survey 2017-18, the country is expected to achieve 7–7.5% growth in 2018–19,¹¹ which will reinstate India as the world’s fastest growing major economy. The next gen in India are leveraging the current growth momentum through proper planning and strategising; focusing on digital, technology and innovation; and exploring external expertise when needed. Venturing into new markets and geographies and diversification of businesses are also on the cards. However, 50% of the next gen prefer to stick to the markets they operate in, while 61% echo their belief in the existing business. These responses indicate that India is still a land of opportunities and the next gens here are satisfied with the potential of domestic markets vis-à-vis next gens globally who are more open to diversification outside their existing businesses.

9 PwC. (n.d.) Megatrends. Retrieved from <https://www.pwc.co.uk/issues/megatrends.html> (last accessed on 29 March 2018)

10 PwC. (2017). Undaunted, but underprepared? A private company view from the 20th CEO Survey. Retrieved from <https://www.pwc.com/gx/en/ceo-survey/2017/deep-dives/private-company-view-ceo-survey.pdf> (last accessed on 29 March 2018)

11 Ministry of Finance, Government of India. (2018). Economic Survey 2017-2018. Retrieved from http://mofapp.nic.in:8080/economicsurvey/pdf/001-031_Chapter_01_ENGLISH_Vol_01_2017-18.pdf (last accessed on 29 March 2018)



Arjun Jain

Varroc Group. Second generation

Driving change in the automotive industry

Varroc was founded in 1990. The auto company expanded significantly over the years by identifying gaps in the market and developing relevant products. Arjun Jain is a second generation entrepreneur who joined the business strategy division four years back after working for a couple of years outside the family business. Since May 2015, he has been heading the electrical and electronics business. He says, 'Before joining I was not necessarily married to the idea that I was going to do this for the rest of my life. Now I am. The ability to influence the direction of the company was always important to me. There was never a question in my mind that if everything worked out, Varroc would definitely be the place where I would have the biggest impact.'

After working for not so hierarchical professional organisations, Jain felt that the environment and culture at Varroc were different. Right after becoming the business head, he had a strike in his largest plant and that was very stressful for him as someone who had no experience of running a plant, leave alone a business unit. Reduction of sales during demonetisation was also challenging, and ensuring that the organisation was nimble enough to adapt and yield profits was important. As a long-term strategy, hiring was one of his first focus areas as that, according to Arjun, directly impacts the culture: 'I am ultimately responsible for profit and loss and the health and growth of the business. So is my father. We build our teams around the values that we have and the way we like to operate. Our teams have also gone on to build their teams in the same way. This way it's a lot easier to build the culture that you want.' Moving one step further, Arjun is focused on achieving sustainability in his business processes. Rather than being people dependent, he would be systems dependent as he believes that will help drive long-term growth and enable Varroc become a true Indian multinational company: 'We have had experiences in the past where the plant head changed and that transformed the plant outlook. We should not fluctuate to that degree and should be able to tackle business challenges with minimal stress in the system, and have systems and processes that achieve that naturally.'

However, driving change in an organisation is challenging. In certain cases, Arjun would run a pilot in his business unit and if it was successful, it would be implemented across the organisation. He says, 'We are a democratic organisation; our decision-making process is consensus based. Unless I am able to convince everyone who sits around the table or at least the people affected by the action I am talking about, it's unlikely that I would be able to implement that change.'

Today, the biggest challenge Arjun faces is designing, developing and producing technology. The second gen entrepreneur makes the following admission: 'Disruption for any established player is a scary word. The speed of technology makes it impossible to ignore and we are continuously evaluating when it makes sense to bring more technology into products and processes. We know if we implement change when needed, we will accrue early-mover benefits and rewards rather than being forced to implement it from a position of relative weakness. We look at digitisation as a way of better enabling the offering we can give to customers, whether in terms of speed, quality, or cost.'

The biggest advantage in a family business is that you are less likely to succumb to quarterly or yearly pressures. Arjun is a believer of principles and says, 'The best form of accountability to a shareholder is if you are driving long-term growth and if you are a sustainable business. If you do social service professionally, you have to create impact; you play professional sports to be #1 and in business, if you are not achieving financial success, you should try something else.'

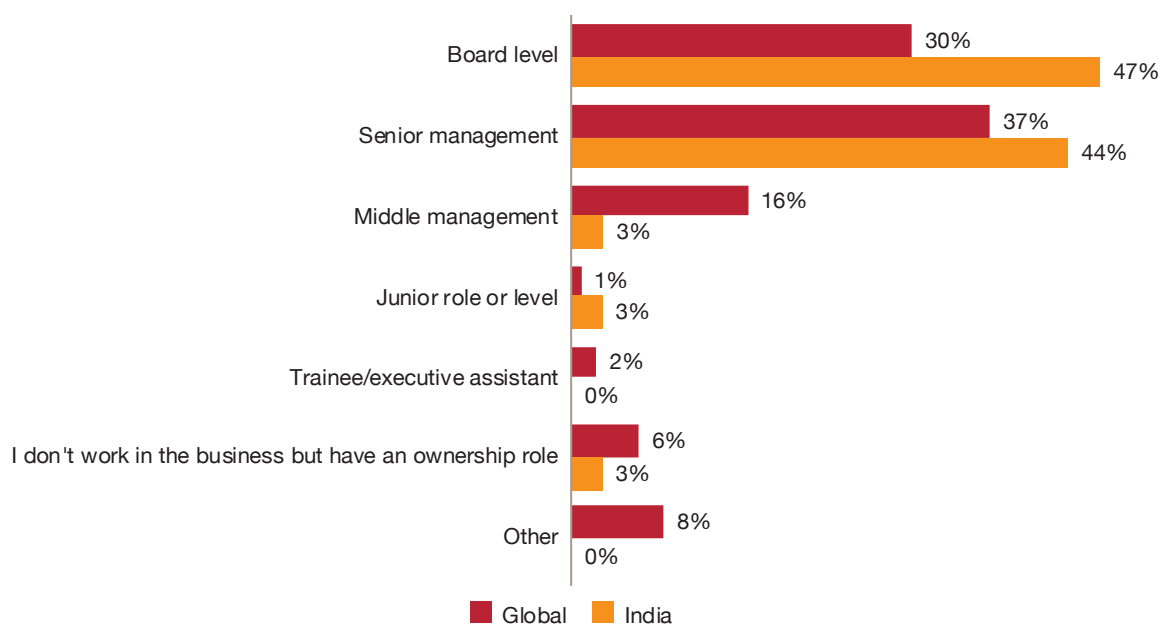


Working in the family business

The Indian family business house is still largely traditional and a majority (91%) of the next gen we profiled occupy senior/board-level positions; there are very few next gens

working at junior or middle management levels. Globally, as the graph below shows, the percentage is lower (67%).

Current role



Q: Which of the following best describes your current job level within the company?

Base: All India respondents (n = 36), all global respondents (n = 102)

Transition, succession and professionalisation

PwC India's Family Business Survey 2016 highlighted that 35% of family business leaders plan to pass on management to the next gen, while 48% plan to pass on ownership but will bring in professional management. Further, 72% say that they will look to get professionals into the business over the next few years, while 81% acknowledge that they have non-family members on the board. These statistics seem a bit adverse considering most next gens occupy board positions/senior levels in the organisation. What could be the reason for this gap? Could it be that the current gen is under-confident of its next gen? Were the next gen not groomed sufficiently by the current gen or not suitably mentored by their appointees? Did the next gens have enough opportunity to grow and learn from peers? Were the next gen given enough room to perform? Were the next gen given authority with responsibility? These are some questions which need to be answered by both generations to manage expectation gaps which may arise during business transition and succession.

With regard to future roles that the next gen expect to play within the family business, 50% say that they expect to be managing the business one day, though only 19% acknowledge that this has been agreed on. Globally, 57% expect that they will be running the company and for 32%, this has been agreed upon. Another 16% (22% global) are in senior roles/expect to take on senior roles but do not expect to manage the business. Finally, 17% of the Indian next gen are looking at ownership only.

Transparent communication between the two generations is imperative to facilitate discussions around career paths and goals and ensure that the outlook of the current generation and the ambitions of the next gen are aligned. More and more companies are looking at putting in place family constitutions and family protocols. For business continuity, it is necessary that succession plans be formulated, documented and agreed upon for all key roles and positions in the company. In India, this number is very low at 15%.¹²

¹² PwC. (2016). PwC India Family Business Survey 2016. Retrieved from <https://www.pwc.in/publications/family-business-survey-2016.html> (last accessed on 29 March 2018)



Future role



Q: Which one of the following statements best describes your possible future role in the company?

Base: All India respondents (n = 36), all global respondents (n = 102)

The next gen acknowledge that there may be a business imperative to seek external expertise at the board /senior levels as businesses look to cash in on the growth momentum in India. As Devesh Bansal, Skipper (third generation), puts it: 'In the last three years, we would have brought on board possibly some of the best talent in the industry. In some of our businesses, our company is probably one-tenth the size of the market leader, to be able to attract that kind of talent – to switch from them to us – it takes a lot of effort. We are very sure that going forward, with the kind of professionals that have come in and joined us, this journey is going to be that much more positive.' More often than not, the perception that all decisions lie with the promoter and very little authority is given to the non-family managers prevents leading professionals from joining family enterprises. In order to attract and retain experienced professionals, it is critical that definitive career paths be agreed on with them.

In addition, the next gen emphasise that seeking the help of external consultants and experts is necessary as businesses navigate ever-changing political, economic and growth environments. More importantly, they feel that family businesses need to be more conducive and amenable to taking the advice of external experts on board.

To the next gen, professionalisation and seeking external expertise also include setting up systems and processes, building stronger and independent teams, empowering middle management, clearly demarcating roles and responsibilities, automating tasks in specific areas (say finance and customer relationship management), professionalising the legal function, and diversifying the portfolio and customer base.



'If you ask me what my ambition is, it would be to lead the business. Having said that, I am cognisant of the fact that I have to be capable of leading a nearly 2 billion USD plus growing business. If I am not, I am doing everybody a disservice by leading the business. It is a tremendous responsibility and I should be able to deliver on that responsibility.'

Arjun Jain
Varroc Group. Second generation



'It is essential to build a culture that enables healthy debate within the promoter family and professionals. Even though the ultimate call rests with the promoter, unity of objective ensures better decision making.'

Nihaal Mariwala
OmniActive Health Technologies.
Fifth generation



Kaushal Dugar
Teabox. Third generation

Fuelling passion with tea

The tea business was started by Kaushal's grandfather who moved from Rajasthan to Bengal before independence in search of entrepreneurial opportunities.

”

Tea is essentially the world's second most consumed beverage. As a kid, I spent a lot of time visiting the plantations with my father. There I was exposed to drinking tea as it was made. That kind of quality was probably the best because it was the freshest. In my travels I realised that the quality I was used to as kid when I was growing up and the quality available to consumers all around the world, there is a difference of around 100x. If that kind of quality could be made available to consumers around the world, it could then be a very big business.

”

When I suggested to my family firm that we start selling direct to consumers via the web, they were very sceptical.

”

The tea industry in India is huge, there are about a billion kilograms produced every year. The scale at which we operate today is not even 1 or 2% of that. Even if we grow 10x or 20x, there is still a scope for a lot of people. The idea was that I could still do what I wanted to do and create my own niche without affecting or disturbing the existing family businesses. The best thing which has happened now is that we realised everything is complementary.

Find out more about Kaushal's story here: <http://www.pwc.in/services/entrepreneurial-and-private-business/pwc-india-next-gen-study-2018.html>





Anshul Khadwalia

Indofarm Equipments Limited. Second generation

Long-term benefits, ethics and empowerment: Three pillars of tractor manufacturing

Indofarm was set up in 1982 by Mr. R S Khadwalia, Anshul's father and a first-generation entrepreneur. For 14 years, the company focused on trading tractors, post which it decided to get into manufacturing and secured crucial technological and business tie-ups with overseas manufacturers. Anshul started his training in 2009 while pursuing his education in the UK. About his decision to join the family business, he says, 'My father made it clear that I could not be part of the family business just because it was a family business. He said that I would have to be fully capable of handling the business. My father even asked me if I wanted to start my own business. He said, "I will give you the required funds, but if you decide to do this you have to 100% co-own it." He gave a purpose to my goal. I entered the business at 21 and people would come up to me and say, "Hi, I have 21 years of work experience."'

When Anshul returned from Birmingham to join the business, he first had to unlearn whatever he had learnt since this was not the UK. He realised he needed a strong team and spent four years trying to create one. Now, he has a 400-member team reporting to him. Anshul says, 'I can sell an average tractor if I have the right people, and I couldn't sell the best one if I didn't have the right people. Employees are the biggest asset to any organisation. Our manpower attrition rate is less than 2%. I have confidence that even if someone offers my state head five times the salary, he will not move.'

Anshul recalls that within six months of joining he pitched the dealership concept to the board, which he was very wary about since the company had not had a good experience earlier. He says, 'My CFO had a negative

approach to this one. But my father gave me the freedom to make decisions and more importantly make mistakes. Eventually, I started my own dealership and today we have four. I sell almost 350 tractors from every dealership. Now my CFO asks me, "Why can't we have 50?"'

Anshul strongly abides by the three pillars set by his father, which form the foundation of the business. Firstly, not working for short-term transitory profit: 'I can save 20,000 INR by going to tier B suppliers, but we will not do that. My father is the son of a farmer; he wants a farmer to feel delighted when he buys a tractor, not just satisfied.' Secondly, being ethical and honouring commitments. Thirdly, he states, 'We believe in delegation of control and in empowering people. My state head has as much power as maybe I do. He will take some good decisions, some bad ones, but we have to give him the power to work like an owner and not like an employee.'

Today, the company has two divisions—the tractor division and the construction equipment division. One of the biggest challenges facing the business is that the end customer is worried about the down payment he needs to make and the resale value. Finance options are the need of the hour. This business imperative made Indofarm venture into NBFC options.

The company's punchline is now 'Thank you, Kisan'. 'We want to bring the pride back to farming,' says Anshul. 'In 20 years, Anshul wants to provide a 360-degree solution for the farmer—right from his pesticides, his seeds, his know-how to everything he needs. He adds, 'If farming is done right, I think we can solve the hunger problem of one-third of the world.'



Maximising the next gen advantage

How are the next gen capitalising on the significant opportunities available to them? Well, for one, most of them are postgraduates with degrees, from India or overseas, in finance, banking, engineering, management, law and/or entrepreneurship. Next, a number of them have gained work experience outside the family business. Our Global Next Generation Survey 2016¹³ revealed that 70% of the next gen had gained outside experience and for 43%, this was part of a structured plan.

The chart alongside highlights four areas of concern:

1. Credibility gap between the current and next generation: 64% of the next gen strongly agree that they challenge decisions when they consider their input to be beneficial to the business. However, the fact that more than a third of the next gens we surveyed don't do so is a worrying trend, particularly where they feel it could have a bearing on the business.
2. Apprehension around preparedness: While 56% of the next gens feel that the knowledge and experience they gained from working outside the family business has been invaluable to their family business, an equal number feel that their skills and knowledge could be better utilised. Further, a significant number (64%) feel that the skills and knowledge they have are not sufficient for future roles. These concerns together point to two problems which the next gen face—resistance to change and not being heard, particularly when it comes to matters around modernisation, digital, innovation, technological changes, professionalisation, etc. Coupled with this is the lack of mentoring or grooming or availability of sufficient room for the next gen to grow, make mistakes and learn. There is a compelling case to push for better integration of next gen in the family business and the need for next gen to be primed as they assume higher responsibilities.
3. Succession planning: Only 28% of the next gen strongly feel they have clarity on their future role.
4. Vision: Nearly one-fifth of the next gen strongly feel that their vision differs from that of the current generation. This may, at times, be a blessing in disguise. In a highly competitive environment, different visions, if handled in good spirit and with harmony, could present two directions in which an organisation can grow and function. Again, an open dialogue and flexible environment can make this happen.



'In a family business, your preparation starts from when you are born. I have been going to office with my grandfather since as far back as I can remember. After kindergarten or even elementary school, I would sit with a colouring book on his table, but I would hear his voice – he would be speaking to people about business and about issues, about doing whatever needs to be done and that has always stayed with me.'

Arjun Jindal

Machino Polymers. Third generation



'A fresh MBA graduate would certainly not have been hired to take on the responsibility that I was given right after my MBA. In a family firm, you are given opportunities that can sometimes far exceed your immediate known abilities to handle them. It pushes you in a very different way to step up.'

Zahabiya Khorakiwala

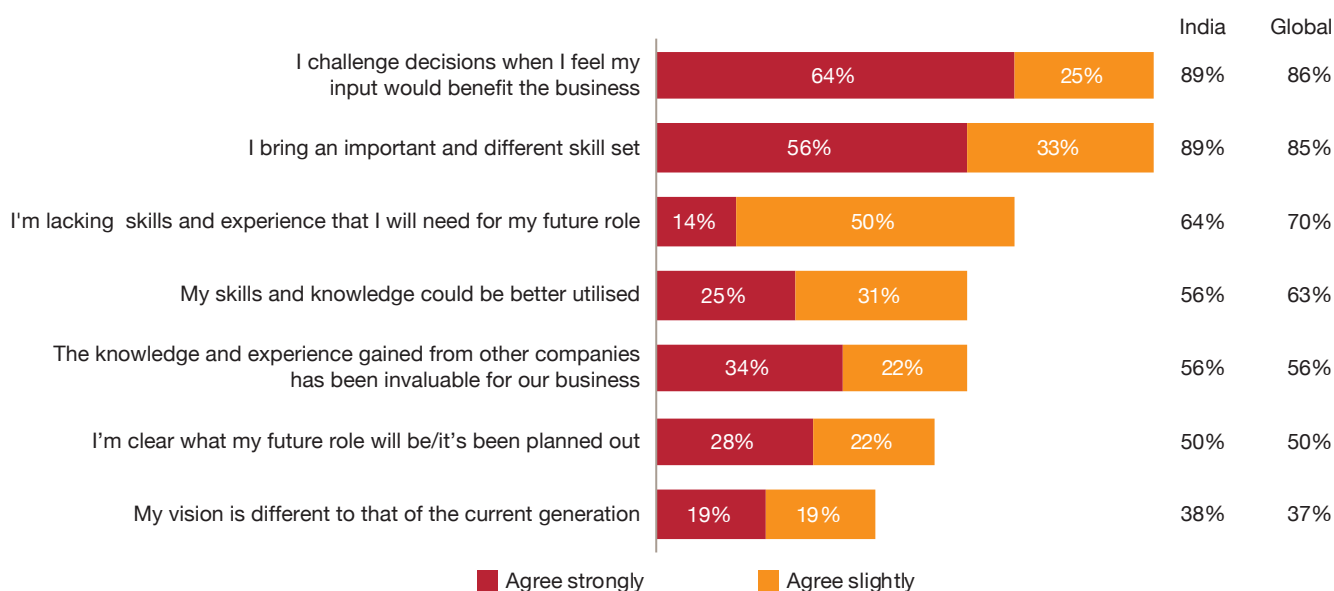
Wockhardt Hospitals. Second generation



¹³ PwC. (2016). Next Generation Survey 2016. Retrieved from <https://www.pwc.com/gx/en/services/family-business/next-gen-survey.html> (last accessed on 29 March 2018)



Agreement with statements about their skills and knowledge



Q: How strongly do you agree with the following statements?

Base: All India respondents (n = 36), all global respondents (n = 102)





Aditya Bhaskaran
Indus Biotech. Second generation

'I have always set my own path.'

Aditya Bhaskaran is the son of the founder of Indus Biotech—a fast-growing business which is already selling its products across the world. Aditya has always seen his future as a steward of the family business and chose his academic path with that in mind. He says, 'I studied corporate law both in India and in the US and did an internship in intellectual property. That's a key area in our industry and I wanted to be sure I'd be making a real contribution.'

He joined Indus three years ago, immediately after he graduated. Aditya states, 'Even though I always saw Indus as my destination, I didn't expect it to happen so quickly. I thought I'd work in a corporate environment or in litigation, but it just happened. I had a talk with my father when he came to my graduation and he said, "Why don't you come on board? You'll learn a lot, both about business and the law." I liked the idea of stretching myself beyond my core competence into areas like science and finance. That challenge excited me.'

Describing his experience thus far, Aditya says, 'So far, it's been fantastic. I don't think I could have expected more. The learning curve has been steep and my dad and the others in the management team have been great mentors. When I first joined, it was as a lawyer and I was tasked with streamlining all the legal processes, where I tried to professionalise the legal. But over time, I've also got exposure to operations and now I am heading the business development team as well. I do see myself as a professional within the organisation who is going to bring more products to the market and that's something I really like. I've had the chance to explore functions which would never have been possible in a conventional corporate environment, and I've

learned hands-on how to run an organisation. Business is about so much more than just numbers; day-to-day operations and managing people are a huge part of it.'

It's no surprise, then, that Aditya sees no downside to investing his career in his family firm. He says, 'Being the boss's son has meant I've been part of the management team much earlier than other people my age. That's been a huge challenge and I've really enjoyed it. But you need to work for it. You can't just sit there and expect it to be given to you on a plate. You have to work hard to understand the basics, get your hands dirty, and only then expect to start moving up the ladder. So, I have always set my own path and always worked in my own way with the aim of doing a good job without any attempt to outperform what my father has achieved. Pressure like that isn't helpful to either him or me. Yes, I'd love to run the business one day, but right now I just see the next job in front of me.'

Looking ahead, Aditya would like to effect change in Indus in an evolutionary rather than a revolutionary way: 'Our business is in an industry that's leading technological transformations and we have to keep up with that change. I would like to build on what we've already achieved and modernise how we do it. Perhaps digitise more of our operations and integrate newer techniques into the way we work. I want us to do more to reach our customers digitally and look at building new ventures by using digital media. My ambition is for us to be entirely digitally driven within the next three years. That's a huge challenge but an enormously exciting one. I never thought working here would interest me so much, but it really does.'



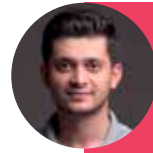
The next gen – in their own words



On different working approaches, yet the same core values...

'I think we are definitely different people and there is no question about that. My father is running a 10,000 crore business, while I am running a 1,000 crore business. Having said that, I think the way we think about what constitutes a successful business is the same. We might have slightly different styles on how to go about things, but I think that creates more openness for suggestions. I think a year after I became a business head, he became more receptive to some of my ideas even if they were contrary to conventional auto component wisdom. He has generally always been open, whether it was my first day or now. In terms of actually going ahead with things, he is more comfortable now.'

Arjun Jain
Varroc Group. Second generation



On learning from mistakes, challenges and experience...

'Usually, transition in Indian businesses is not handled well. You are given the command but not the full power or authority to fulfil it. But, in my case, at 21, I was given full support and liberty to make my decisions. I did make some bad decisions but they are my strength now. I learned from them. And when you are given that playground to play with, you grow, you make mistakes and you stand up. Also, if you experience a setback earlier in life, it helps you grow. My father says you never learn anything from success; you only learn from challenges and from experience.'

Anshul Khadwalia
Indofarm Equipments Limited.
Second generation



On expanding the business...

'The tea industry has run the same way for 150 years, and the attitude has been, "If it's not broken, why fix it?" When I suggested to my family firm that we start selling direct to consumers via the web, they were very sceptical. So I decided not to try to make myself heard in my family, but make myself heard to myself. I wanted to get it done, so I went my own way. And now they are an investor in our firm and helping us scale up.'

Kaushal Dugar
Teabox. Third generation



On transitioning into the business...

'Once people realised that I was willing to get down to the basics, work with them, learn from them and give them the due respect, it was very smooth. Within a month of joining, I had built good professional relationships because they felt that I was willing to sit and listen rather than sit and talk. I was willing to learn. They felt my sincerity towards my work and my job and so I was taken more seriously as opposed to what could have been. It took some time because I was young then, but over a period of time, there has been a change in the way I am perceived.'

Aditya Bhaskaran
Indus Biotech. Second generation

'An early operational role is a good idea; don't be afraid of the work. Initially, you will have to get into the nitty-gritties to really understand the business and build credibility.'

Next gen owner

'Be patient and try conveying the message across in different ways. If required, appoint external consultants to pass the message across.'

Next gen owner

'Gain credibility; work outside the business and within the first few years, take a few initiatives which will have amazing results and implications for the company and which can be seen by everyone.'

Next gen owner

'Lead the change you want to see but keep it practical without sacrificing existing revenue.'

Next gen owner

Driving change and implementing ideas

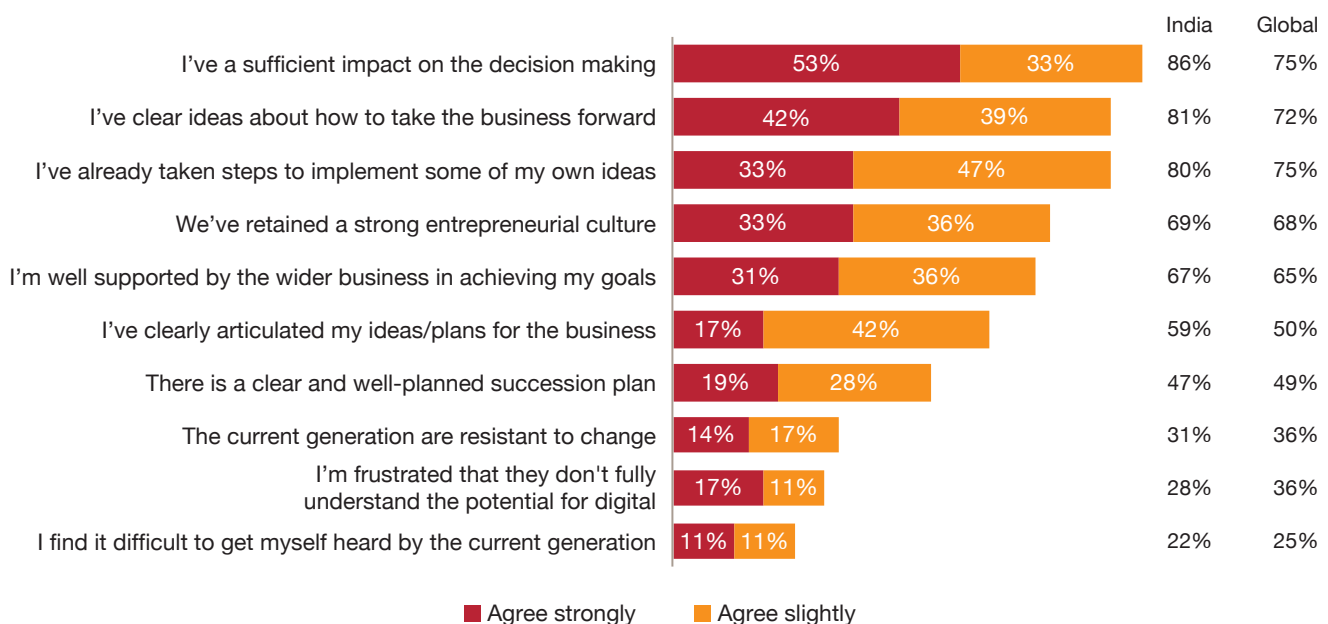


'I think a fundamental to change is having the right culture in the organisation. If you have the right culture, then the next question to ask is, how effectively are you managing the change and do you have an openness and hunger for improvement? Once you are change-enabled, it is important to understand how change will be driven and delivered. You need to be extremely clear about your baseline and about how long the change is going to take, the people who are going to be affected, how you are updating related documents, how you are training people to adopt the change and then communicating it all repeatedly. Today, my business unit is looking at an almost reckless level of change. We know if we implement change when needed, we will accrue early-mover benefits and rewards rather than being forced to implement it from a position of relative weakness. When you are implementing change, there is never any guarantee that you will achieve success. The only thing you can do is increase the probability to the maximum.'

Arjun Jain
Varroc Group. Second generation



Agreement with statements about their role in the business



Q: How strongly do you agree with the following statements?

Base: All India respondents (n = 36), all global respondents (n = 102)

Working in senior positions (47% at the board and 44% at other senior levels) in their family businesses allows the next gen to sufficiently impact decision making to a higher extent than their global counterparts. While more than half the next gens we spoke to strongly agree with this, about one-third say that they were able to influence decision making only in some situations.

Further, 81% of the next gen in India (72% globally) have clear ideas on how to take the business forward. It implies that the next gen in India are forward looking. However, on digging a little deeper, we find that while 42% strongly feel that they have clear ideas on how to take the business forward, only 33% have taken concrete steps to implement these ideas. Thus, there could be a gap between idea and implementation or perhaps there is a larger communication gap, as only 17% of next gens have clearly articulated their plans for the business.



The question which then arises is, why are plans not documented or discussed with family business leaders? Our survey indicates various factors: resistance from the current generation when trying to bring about change (31%), difficulties faced by the next gen in making themselves heard on ideas/plans for the business (22%) or the current generation's inability to appreciate the full potential of digital for the business (28%). At the same time, there are situations within family businesses where the next gen are successfully implementing their ideas despite resistance. This could be attributed to support extended to the next gen within the family business as well as the family's entrepreneurial culture. As Anshul Khadwalia, Indofarm Equipments Limited (second generation), puts it, 'The biggest challenge was the perception that people form—"he is too young, what would he know?" The challenge is in them accepting me wholeheartedly as a leader and believing in me. As a leader, I need them to do what I want but I need to make them feel motivated and that they want to do it. I don't want them to go "yes sir, yes sir" on my face and think the exact opposite. I had to prove my worth by meeting challenges and targets. Eventually, people did accept me.'

What are the factors which determine how the next gen can make themselves heard in their family business and make an impact?

The culture of a family business is paramount. Indian next gens feel strongly about their family business which makes them want to work in and make the family business successful. Trust and respect by family and non-family members who wish to see them succeed help. Further, what helps are family businesses with fewer stakeholders to convince.

In addition, next gens find it easier to make an impact in situations where a mid- to long-term strategy was laid down and where they were given clear areas of responsibility. A move away from the traditional, hierarchical set-up to one with clear business structures was found to make the transition easier. Also, the most successful next gen stories were those where the next gen were given the freedom to make mistakes and learn from them.

On a related note, Nihaal Mariwala, OmniActive Health Technologies (fifth generation), says, 'The thing is that, you have to be judicious about the issues you want to fight for. Sometimes you just have to let go but sometimes you need to pursue them. I think people appreciate it when you stick with something because it is important.'

A company's innovation and entrepreneurial mindset are evident through expansion, exploration of new markets and territories, and diversification. It is also reflected in the set-up of entrepreneurial ventures by the next gen within the family business umbrella by leveraging on family connections, knowledge, reputation, resources, funding and/or infrastructure. Sixty-nine percent of the next gen feel that their company has retained its entrepreneurial spirit. Nearly an equal number of the next gen claim that the family business supports their goals.

When we carried out our Family Business Survey in 2016, only 15% of Indian family businesses had a clearly documented and agreed upon succession plan in place. The trend remains largely unchanged, with only 19% of the next gen strongly agreeing that a succession plan has been put in place. As discussed earlier, this matter needs attention by family businesses for the sake of the family and the business.

What are the skills and approaches which the next gen can imbibe to get their ideas heard and implemented?

Building credibility through not just education but also the learnings from successful work experiences outside the family business is important. Demonstrating hard work and commitment to the values and ethos of the family business goes a long way, as does being patient and persistent and not giving up at the first hurdle. It is necessary to work hard to convince stakeholders instead of trying to storm in and make changes on day one. Effective communication with non-family members is crucial. At the same time, to truly make a difference, it is also important to challenge seniors and not become 'yes men' or 'yes women'.

The current as well as the next generation should listen to each other's perspectives and experiences. This 'two-way listening' will go a long way in bridging the generation gap, especially in matters such as digital and technology change.

Having a clear plan/strategy/idea backed by studies, experiments, trials and results helps in getting ideas accepted and implemented. Any new idea will have greater acceptability if it has been successfully implemented elsewhere.



Devesh Bansal
Skipper Limited. Third generation

Electrifying villages and delivering water to the remotest of locations

Skipper was incorporated in 1981 by Devesh's grandfather as part of a group of companies run by a joint family. Skipper transitioned from a trading company to a manufacturing company in the 1980s, focusing on steel tubes and pipes. In 2001, the family business was demerged and Devesh's father took charge of Skipper Limited which he subsequently made the flagship company of his group. The company has two major verticals—water and power, which manufacture PVC pipes, transmission towers and poles. Devesh joined Skipper when he was 19 years old and has spent 16 years in the business. Today, Skipper's management team includes his father and his two brothers, each of who look after different operating verticals; yet in times of change, all operating vertical heads along with board members reach a consensus before adopting any major change, as 'by ensuring such inclusiveness no one feels left out'.

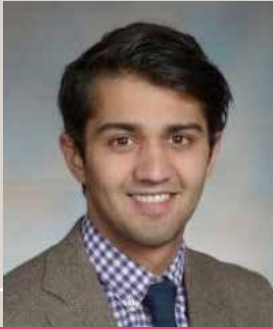
The company has grown significantly since 2001. One of the factors which Devesh attributes this success to is the willingness of the team to take hard calls. In 2014, the steel tubes business contributed almost 35–40% to the company's top line. However, the margin delivery from this vertical as well as its future prospects was not very promising. Even though it was a significant part of the top line, the management of Skipper decided to shut down this business because it was not in line with the company's vision for the next 20–30 years. Devesh says, 'Our attachment is only to bottom lines and cash flows. Shutting down the steel business was a major decision that we took and that is what really defined us as a company. Even if it meant going through a difficult time, this is what made sense in the medium to long run. What is great about our team is that there were very few egos at play. This was a 30-year-old family business that was very close to our hearts; we knew it in and out. To take a call like that was obviously very emotional not just for my father but also for us. But we decided to do it because we knew it wasn't going to add value for us going forward.'

Devesh adds, 'We are a fairly young management; my brother is 38 years old, I am 35 and my younger brother is 30. We probably have at least another 30 years ahead of us. With age on our side, we like to take a long-term view on things. It makes sense to go through changes today rather than dragging them out when we're 45 years old.'

As the company expanded its products and looked at uncharted territories, the team undertook a huge drive to bring on board the right professionals and key industry stakeholders. This was made possible by demonstrating the management's sincerity towards the business and its growth plans. The company has proactively been looking at digital solutions—a step which Devesh feels will set them apart from their competition.

Devesh draws strength from the social impact his products have in India. He adds, 'The satisfaction that comes with hearing that our products are being used to electrify villages and deliver water to the remotest of locations is unparalleled. Over the next 20–30 years, we would definitely like to see different pillars of the company create that kind of social impact and, at the same time, make business sense.'





Nihaal Mariwala

Setu India/OmniActive Health Technologies. Fifth generation

From Indian spices to dietary supplements – building products based on India's traditions

OmniActive Health Technologies is engaged in selling supplements and providing ingredients to leading food and beverage companies. Founded by the Mariwala family, the company traces its roots to its long history in trading spices. Mr. Sanjaya Mariwala, Nihaal's father, was part of the founding team of OmniActive.

Nihaal joined OmniActive about five years back, two of which he spent in its US office, working on science, clinical studies and marketing of products. In India, Nihaal was involved in critical milestone activities around fundraising, legal matters and acquisitions. Speaking about OmniActive, Nihaal mentions that the company prides itself on clinical work and patents. Yet, low-cost competition poses a big challenge. Digital innovation is something which he feels is needed. As he puts it, 'When I started working at OmniActive I could not fathom why a formulator or a finished brand would not want to go on a website and display, in one place, all the products it has along with the cost and the marketing material. Going forward, I think, a lot of these decisions will be rational rather than emotional.'

Nihaal is currently busy with his online venture, to sell finished dietary supplement formulations. He is concentrating on brand building and heavy digital marketing and will eventually look at offline operations: 'We spent the first six months doing a lot of research which I think was the most fun part. We brainstormed on different options and settled on building our own brand. We decided on a range of products that are targeted at urban Indians and urban professionals, who are too busy to focus on the minor aspects of their health.'

Setu commenced operations six months back by selling through e-commerce giants and focusing on building content and awareness. Nihaal is also emphasising transparency ('This is your ingredient, this is how it is made, these are the whole food sources, and these are the factories where it comes from.'). working on products that really have serious clinical substantiation and making the process a bit more fun. Nihaal mentions that his immediate and extended family is involved in a limited capacity in Setu. He has been able to leverage some of OmniActive's structures (specific ingredients, advisory support, etc.) and from that perspective, he feels he had an advantage compared to other start-ups.

On working with the family Nihaal says, 'The best thing is that just my Dad and I are involved. If there were more people, I think it would have been a lot tougher. Also, both of us are pretty direct and honest with each other. So there is nothing left unsaid. The next best thing is that though

my Dad is the boss, he still gives me a reasonable amount of opportunity to voice my opinion. At times, I feel like I get opportunities which someone else might deserve more. My Dad says that is the reality, you have to deal with it.'

Going forward, with respect to Setu, Nihaal's vision is to raise awareness about healthy dietary choices among Indian consumers so that they can make the right decisions without having to rely on a doctor or nutritionist. With regard to OmniActive, Nihaal says, 'I think there is substantial scope to build our business and network outside India because we have strong natural products and a strong agricultural domain. By trying to harness that, we can build a big business catering to companies around the world, and really do it with quality. We focus on good quality products and on building science and clinical data around all of our products. There is a lot more we can do with the products using India's traditions.'



Digitisation, technology changes and innovation

The scale and scope of change driven by digital are immense. The 10th edition of PwC's Global Digital IQ® Survey, 'A decade of digital, keeping pace with transformation',¹⁴ focused on organisations' ability to harness and profit from technology. The report highlights that digital IQ has been declining not because enterprises are falling behind in implementing technologies, but because they are struggling to keep up with accelerating standards. As technologies merge and advance, it is necessary to focus on the human experience, which entails rethinking how one defines and delivers digital initiatives, considering employee and customer interactions at every step of the way, investing in creating a culture of technology innovation and adoption, and much more.

Additionally, PwC India's 20th CEO Survey¹⁵ highlights that disruptive innovation is a priority for India's CEOs and is closely linked to their digital agenda. For 81% of the respondents, it is important to have digital skills, and 47% believe that in the next five years, disruptive technological innovations will have a significant impact on competition in their industry. The report mentions 10 behavioural attributes which can fuel the digital growth engine of a company and highlights eight technologies which are changing the dynamics of the business world. In addition, it also highlights how more and more companies are leveraging data analytics and advanced technologies in the process of attracting, developing and retaining talent.

Technology is an area which is not given its due in private companies. Our 20th Global CEO Survey – Private company view: Undaunted, but underprepared?¹⁶ highlights that nearly three-quarters of companies worldwide expect markets to be transformed by technology, yet they are less concerned about the acceleration of technological change—a red flag which may imply that private companies are neither addressing the risks nor recognising the opportunities. Our 2016 survey of family business leaders in India revealed that only 10% feel that technology is an area of concern¹⁷ and only 22% say that their businesses are vulnerable to digital. This can be interpreted in two ways: either the surveyed sample does not consider technology to be a concern and instead sees it as an opportunity, or that

this megatrend has not been given adequate importance. Fifty-nine percent say that they had a strategy for digital; however, this, at times, simply means rolling out a couple of solutions instead of streamlining digital across verticals, processes and systems. Also, more than half did not discuss digital at the board level.

In family businesses, the next gen's ability to drive change in digital is easier in cases where the concept and idea are supported by the current generation. While digital and technological changes are readily recognised by the current generation as areas where the next gen have better knowledge, 28% of the next gen are frustrated that the potential for digital within the business is not understood, leading them to struggle to bring about a change, especially when the current generation is dismissive of technology. The next gen view digital as both an opportunity and a threat. With the next gen driving digital changes, business structures will get professionalised and business operations, optimised. It is not always necessary that digital warrants a complete overhaul of systems and processes. Instead, innovation in the technology space can start with individual business units, products or processes which will be easier to implement. Digital innovation, at times, also means setting up new ventures within the fold of the family business, with technology used as an enabler to increase revenue.

PwC's Innovation Benchmark report, 'Reinventing innovation: Five findings to guide strategy through execution',¹⁸ highlights that technology is a driver, not only an enabler, of innovation. Yet technology is only as good as the people using it. Additionally, it is innovation strategy and effective execution and not size which govern innovation spend and returns. Further, the report highlights that for innovation to be successful, a company's innovation strategy and business strategy must be aligned. Companies are no longer looking at innovation in silos; instead, inclusive operating models are being brought into play. Customer feedback is extremely important and, at the same time, the human element in innovation should not be ignored. Internal employees are a good start for discussing ideas around implementing change.

14 PwC. (2017). 2017 Global Digital IQ Survey: 10th anniversary edition. A decade of digital, keeping pace with transformation. Retrieved from <https://www.pwc.com/us/en/advisory-services/digital-iq/assets/pwc-digital-iq-report.pdf> (last accessed on 29 March 2018)

15 PwC. (2017). 20th CEO Survey. Being fit for growth. Retrieved from <https://www.pwc.in/assets/pdfs/publications/ceo-survey/20th-ceo-survey-being-fit-for-growth.pdf> (last accessed on 29 March 2018)

16 PwC. (2017). 20th CEO Survey – Private company view. Undaunted, but underprepared? Retrieved from <https://www.pwc.com/gx/en/ceo-survey/2017/deep-dives/private-company-view-ceo-survey.pdf> (last accessed on 29 March 2018)

17 PwC. (2016). PwC India Family Business Survey 2016. Aligning with India's growth story. Retrieved from <https://www.pwc.in/publications/family-business-survey-2016.html> (last accessed on 29 March 2018)

18 PwC. (2017). Reinventing innovation. Five findings to guide strategy through execution. Retrieved from <https://www.pwc.com/us/en/advisory-services/business-innovation/assets/2017-innovation-benchmark-findings.pdf> (last accessed on 29 March 2018)



Innovation in processes also doesn't necessarily mean changing the complete dynamics of the business. Instead, new opportunities may take the shape of professionalising structures or setting up independent outfits supported/funded by the family business, diversifying into newer markets, empowering managers etc. (Refer to pages 18 and 19 for ways in which change is being driven by the next gen.) Anshul Khadwalia says, 'The culture of an organisation must support innovation. The company culture at Indofarm supports innovation across all departments. We are for the motion and not against. We are a relatively new company and have to think out of the box. We have an open door policy; if a worker thinks he can add value to the product or services or cut costs or increase profits, the chairman suggests that he/she walks into his office every Friday after 1 p.m.'

This report and our specific case studies highlight how the next gen have driven digital, innovation and professionalisation in their businesses. As with other changes, for the next gen to make this work, it would help if the successes they saw while working in other markets, geographies, companies or while rolling out the changes within their own business verticals/units can be showcased and explained, backed by relevant evidence.



'If we are not able to stay a step ahead, it will cause stress in terms of money, people attrition....more grey hair on my head. None of these will be good for the health of the business. Again, we will launch and adapt because that is the fundamental culture of the business and will not fail. How we achieve that success is just as important as achieving success.'

Arjun Jain
Varroc Group. Second generation





Zahabiya Khorakiwala

Wockhardt Hospitals. Second generation

Designing error-free systems in healthcare

Wockhardt is a leading healthcare, pharmaceutical and biotechnology conglomerate, which was set up by Dr Habil Khorakiwala, Zahabiya's father, in the early 1960s. Zahabiya looks after the healthcare business and her brothers run the pharma business and the foundation.

For Zahabiya, there was no push as such to join the family business. After completing her undergraduate programme, she ventured into her own business. She says, 'When I started my first business, my father advised me to find a business partner. It was about a drink called Bubble Tea, and we were the first ones to bring it to India. He gave us a little bit of leeway to experiment on our own, which, from a learning perspective, was tremendous.' After five years, Zahabiya and her partner exited the business and Zahabiya went on to pursue an MBA. In 2010, Zahabiya joined Wockhardt Hospitals.

Why healthcare?

'It is service-oriented. When you are implementing and doing things in terms of patient care, you get perceptible feedback and responses which are beyond just business numbers. I think the actual feel of how people are responding to you and how satisfied the patients are is very

real and not abstract.'

When Zahabiya started out, she was given a free hand. There was limited hand-holding and monitoring from her father. 'I guess he was looking at me to own the responsibility and feel like the healthcare business was mine, as opposed to him owning it and telling me what needs to be done from time to time. He was a sounding board. I had the opportunity and I stepped up to it.'

Digital plays a crucial role in Zahabiya's plans for the hospitals. The company has an intelligent clinical management system called IntelliSpace Critical Care and Anesthesia (ICCA), where the entire patient record—from when the patient entered into the hospital to his/her pathology, radiology records, the physician s/he is assigned to and all her/his readings—is captured. Zahabiya adds, 'This system enables anytime-anywhere patient data retrieval by the doctors and they can take a decision. It also frees up a lot of nursing time, which is then spent on patient care and not on documentation. Plus, the system is error-free and paperless.' The company is also in the process of developing an error-free and paperless medication management system. She summarised her vision as follows: 'The idea is to have the entire process—right from the time the medication is in the pharmacy to when it gets dispensed or taken by the patient—take place through the system to eliminate any chance of administering the wrong medication.'

In terms of driving social responsibility, Zahabiya focuses on paediatric and cardiac work, which is done from the new age Wockhardt Hospital in South Mumbai, and she says, 'A large part of what we do there is charitable.' Being in the healthcare space, Zahabiya is aware that transplants, regenerative medicine and paediatric cardiac care—all have significant social impact.

She wants to ensure that Wockhardt undertakes cutting-edge work so that it operates in a unique space with distinguished positioning. The company has been doing quite a lot of work in regenerative therapy, which Zahabiya feels will be a big differentiator. She says, 'I would like the Wockhardt team to be driven by knowledge, service orientation and research. I once heard someone say, "The legacy you leave is really every life you have touched." So, that is our legacy. It is not about the number of hospitals that we have built or the geographies we are in, it's really about every life we have touched.'





Arjun Jindal

Machino Polymers. Third generation

An innovative technology company working in the automotive space

Machino Polymers was set up in 1994 by Mr. M. D. Jindal, Arjun's grandfather. Having started out as a supplier to one of India's leading auto companies, Machino is currently one of the most prominent downstream petrochemical companies in Asia. It has now expanded to cover a large number of automotive players and white goods businesses not only in India but also worldwide.

After graduating from college in Boston, Arjun started a magazine on studying abroad as well as an animation school, which is still running. However, there was an expectation that he would eventually join the family business. In 2005, Arjun did join his grandfather when the group was undergoing restructuring. 'Initially, when I entered the business, certain questions were raised—would this grandfather-grandson combination be able to deliver and ensure that Machino remained competitive in a landscape where the world's largest players had already established themselves? Despite the huge generation gap between us, my grandfather and I would have many open discussions, where I would find him very forward thinking. His fundamentals were so strong and given that he was such a visionary, I would often find myself going back to him in further agreement with his ideas and outlook. We would always reconcile our thinking since our main aim was to build and grow a strong company. I also realised later that he would often put me out there and would silently watch in the background to see how I was dealing with some situations or specific issues. Maybe people didn't appreciate him doing this, but he always said that you learn from your mistakes! I strongly believe that our mistakes and failures have been our best teachers as we continuously persevere to overcome all our challenges. Today, my grandfather is 88. He is still very active and attends board meetings, while I largely concentrate on running the company.'

Looking back, Arjun acknowledges that the strong relationship built with customers over the years enabled the company to sail through times when business and technology were undergoing a transition. He says, 'We see ourselves as much more than just an auto ancillary. This is a cutting-edge innovative technology company that is working in the automotive domain. We are not confined by what is expected out of the market, but instead we go to the marketplace with tomorrow's technology today! The continuous room for innovation really excites me every morning as I prepare for work. Given the global competition, we need to be able to handle the constant

cost pressure, by responding expeditiously to the ever-changing and dynamic marketing conditions. We invest constantly in new R&D and technological initiatives. Our ability to develop new products and be in the marketplace at the right time, to innovate with pace, and to keep up with the market's expectations is critical to our growth. We are continuously preparing to keep up with new technology trends by making new product developments to ensure timely delivery of these innovations to our prestigious customers.'

In the future, Arjun is looking at expanding into new geographical markets and exploring partnerships: 'It's a fast-changing marketplace; nonetheless, we are very clear about where we want to be and I hope we are able to achieve our goal. Of course, along this journey, our thoughts, the marketplace and environment are changing and thus we continuously go back to the drawing board to check our plans, think and realign ourselves to deliver customer delight.'

Find out more about Arjun's story here: <http://www.pwc.in/services/entrepreneurial-and-private-business/pwc-india-next-gen-study-2018.html>





Anindith Reddy
Apollo Hospitals. Third generation
***Digitising healthcare and
handholding patients***

The Apollo Group was founded by Dr Prathap C Reddy in 1983 when he returned to India from the US and saw how far behind the Indian healthcare landscape was. Dr Reddy's four daughters were involved in the business from the start and today there are 10 members of the third generation who are working within the group, Anindith Reddy being one of them.

Anindith joined the group four years ago and admits he was not totally prepared. He had worked in the US previously and realised that his family business operated differently from what he had learnt in the past. The work style was more laidback and there were a number of overlaps between what the business units did. When he moved back to India, he started out with small projects in the family business and identified gaps where he felt he could contribute.



Since the last three years, Anindith has been dealing with Apollo's digital strategy and digital outreach programmes. 'It has been a great journey so far. What is exciting for me is how much more receptive I think the Indian market and Indian healthcare landscape are to new digital products, and the different ways in which they are open to seeking healthcare,' he says. Apollo took a conscious call to move the engineering and digital strategy in-house and that is what Anindith focuses on. He aims at integrating the systems of each of the SBUs/verticals, which, in turn, are at different levels of maturity. The systems also need to be packaged in a consumer-friendly manner. Anindith adds, 'The value exponentially increases when you put it in a 360-degree holistic healthcare delivery system.'

Anindith recognises the importance of building teams. He says, 'While Apollo is largely family-driven, it has also been professionalised. I have learnt the importance of building a team that would fill the gaps that may come about. In every business, regardless of where it is, it is the team which fills the gaps where you are not 100% confident.'

On the family front, the family constitution was built over the last year and a half. This constitution describes and reflects the family legacy. There were different views and these were discussed. When it eventually came together, Anindith says, 'We all looked at it before it was circulated and we individually saw a reflection of what we really felt or saw in Apollo and in the family legacy. When it comes to the family legacy, I think we are pretty much aligned.' In terms of bringing about change, Anindith felt change was not really required at the higher level. He says, 'My grandfather is 80 years, he still comes to work every Sunday, is still excited about technology and in seeing how healthcare can be delivered better while leveraging technology.' However, on an operational and executional level, there are times when Anindith has wanted to change systems. Personally, he feels fortunate as he identifies and works on smaller projects in his areas, focusing on early detection of problems and thus eliminating the need for drastic changes.

Like some of his siblings, Anindith has also explored business outside the Apollo ambit. He has set up his own start-up, Happ, an integrated healthcare solution. 'It was a huge learning experience. There were several mistakes I made, most significantly outsourcing the development aspect. We subsequently realised that each of the individual care verticals did not handhold the patient, which was required. But we learnt. And had to rebuild,' he says. Anindith acknowledges that the Apollo infrastructure and learnings of the healthcare system supported him in his venture. Today, Happ is more than two years old.

Advice for next gens looking at starting out



‘Patience is something that’s missing in our fast-paced lives! This attribute will go a long way because it always helps to hear more than speak more. It is important to work hard, work smart, and with a clear perspective and goal. Work intelligently – you have to keep your eyes and ears open to see what’s happening around and what influences your business.’

Arjun Jindal
Machino Polymers. Third generation



‘I would say opportunities come very few and far between. When they do present themselves, you should seize them with both hands and not be too afraid. Missing out on an opportunity is a disservice in a way. We are privileged in a way to have these opportunities that allow us to contribute meaningfully.’

Zahabiya Khorakiwala
Wockhardt Hospitals. Second generation



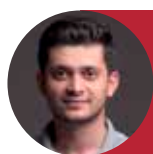
‘If there are too many people involved, you have to figure out things. From day one, you need to be as transparent as you can with the other family members involved. All of the instances that you read about people having issues with each other, they are all because people don’t want to talk to each other and don’t want to be transparent about what their issues are.’

Nihaal Mariwala
OmniActive Health Technologies. Fifth generation



‘For anybody in a family business, especially if you are a next gen, there is no need to always be a revolutionary. If it is a business that has been set up and is already making money, the core goal is how to be sustainable and move to the next level.’

Arjun Jain
Varroc Group. Second generation



‘There is a huge difference in what you like to do and the kind of aptitude you have. And one needs to be really clear about the purpose behind what one is doing.’

Anshul Khadwalia
Indofarm Equipments Limited. Second generation



‘I would like to repeat what I have been told by my mentors and the people who guided us and shaped our thought process for the last 10 to 15 years. One, any business that we do has to enhance our reputation. Two, anything that we do has to be long term and cannot be short term. Three, we should not be afraid of voicing our opinions and putting our ideas out there. Some of the best ideas have come from impulsive thoughts which somebody has put on the table, which then led to some of the best decisions that we have ever taken.’

Devesh Bansal
Skipper Limited. Third generation



‘While planning for any project, make sure your planning and policies are solid enough to last you for at least 10 years.’

Next gen owner



‘If you want to take over a business, it means there is something right—not everything is wrong.’

Next gen owner





Looking ahead



In India, more often than not, the next gen are inducted into the family business soon after they complete their education and gain some work experience. Next gens in India are loyal to their family businesses, respect the current generation, and are keen on growing and strengthening the legacy. Having studied and/or worked overseas, they wish to bring better working practices to their family businesses. There is a strong willingness to support and provide for the family vis-à-vis their global counterparts, who display a strong drive for self-actualisation.

In order to succeed, next gens prefer a more decentralised organisation structure with greater clarity around roles and responsibilities. They are not daunted by business expansion. Using their global outlook, they are keen to bring in their learnings and experiences with respect to digital and innovation; consult subject matter experts; and adopt technology, systems, procedures and processes. The next gen say that while the value system remains the same across generations, business styles and paths to achieve success for the business may be different. At the same time, the next gen are aware that they need to have patience and rely on the experience of senior business leaders.

The next gen we spoke with are making inroads in their family businesses by bringing about changes in functions, markets, processes, products or services. However, in each case, the culture of the family has to be such that it supports their efforts. So, whether it is their father, mother, grandparent, sibling or senior non-family mentor, the family should want them to succeed rather than wait for them to fail. The next gen need an ecosystem which supports mistakes and allows for independent decision making.

Several ambitious next gen are also establishing their own ventures. However, more often than not, these ventures are linked to their family business and are perhaps supported by the family business as well.

Today, the biggest challenge that the next gen face is making themselves heard by the current generation and introducing changes in the business. While there is a keen sense of appreciation of business issues, the next gen face problems in getting their ideas heard and implementing their plans around business issues. They also feel that the business may sometimes not be well prepared for some of the issues it faces. For the business to succeed, it is crucial for the company's processes and systems to be designed in such a way that they allow the next gen to bring their ideas to the fore.

A significant number of family businesses over the world will be passing on their businesses to the next generation in the next few years. As families get larger, for the successful transition of business ownership and/or management, it is imperative for companies and families to put in place

family constitutions and protocols and ensure that there is transparent communication between the two generations around ambitions, outlook, expectations and roles.

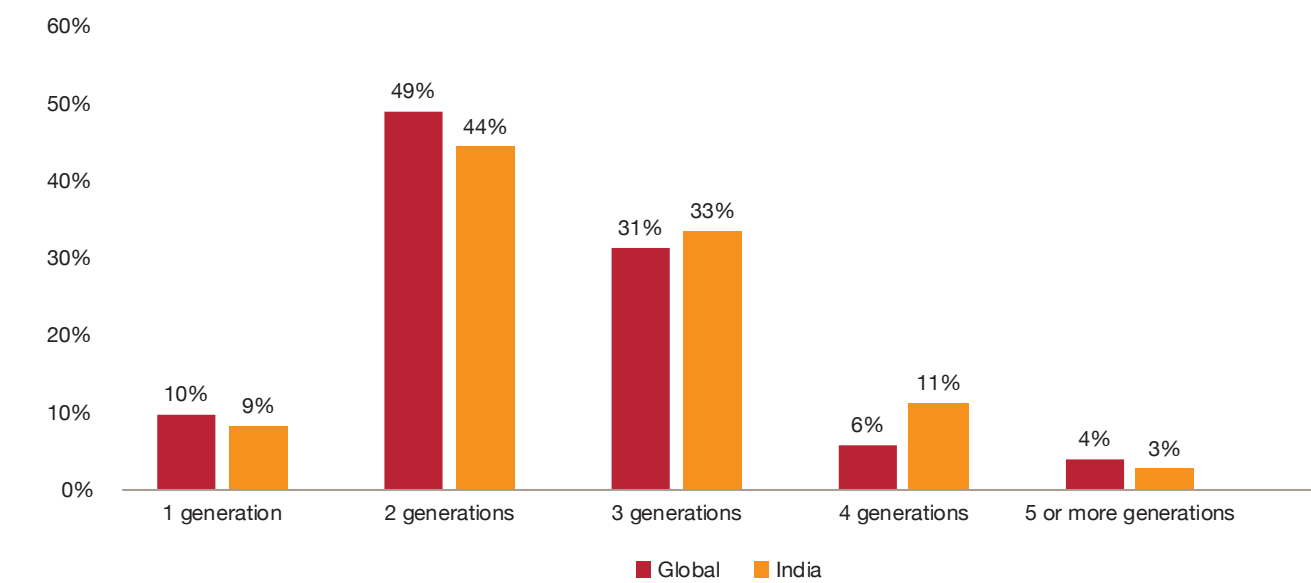
The current generation must ask itself whether it has created the right environment to support its next gen. The next gen must ask themselves if they are ready to take on the responsibility and if their ambitions are in line with the career paths discussed and agreed upon with the current generation.

This is necessary not only for the success of the business but also for the success of the family.



Survey profile

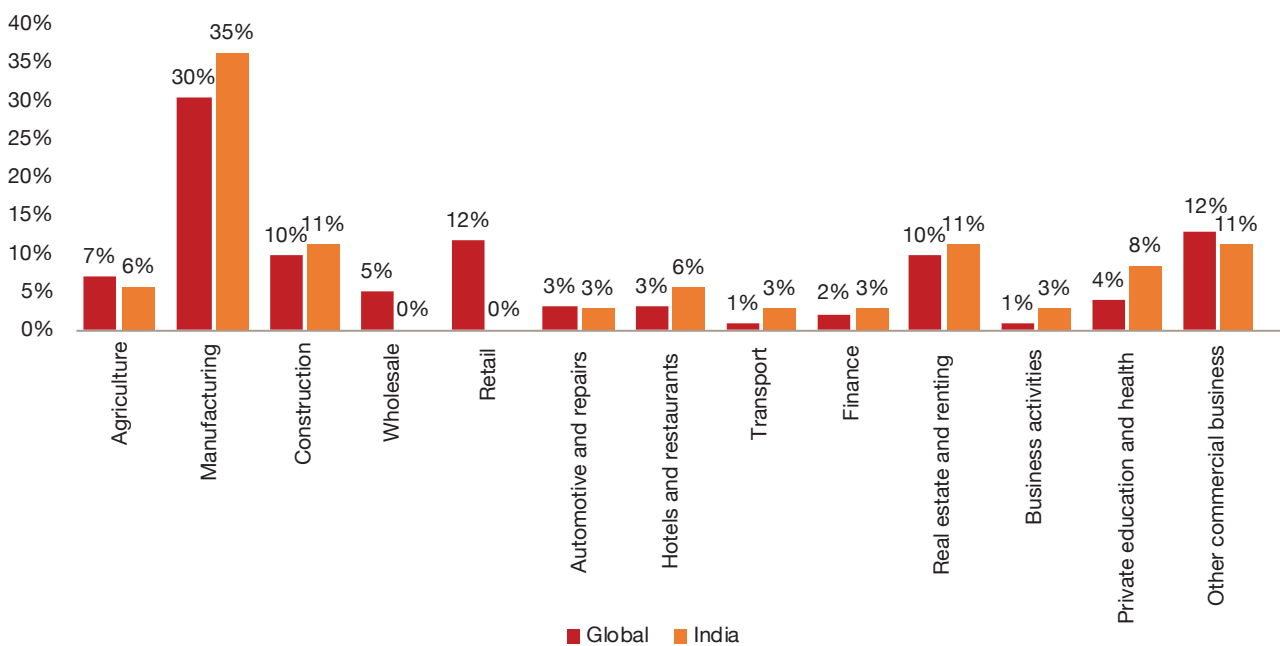
Number of generations



Q: How many family generations have managed the family business, including the current generation that is managing it?

Base: All India respondents (n = 36), all global respondents (n = 102)

Sector coverage

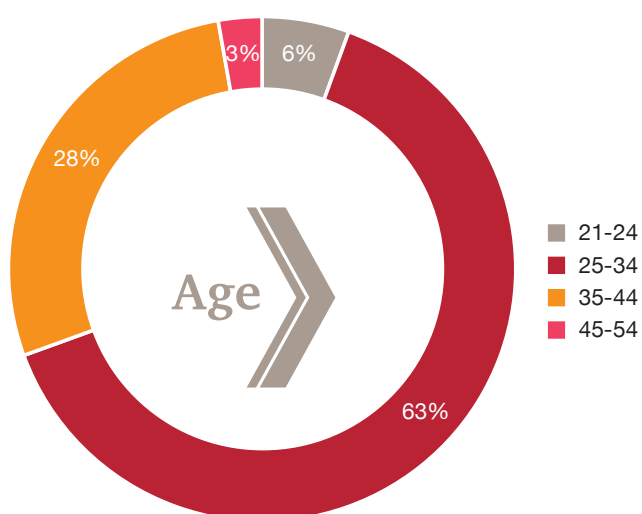


Q: In which sector does your family business work?

Base: All India respondents (n = 36), all global respondents (n = 102)



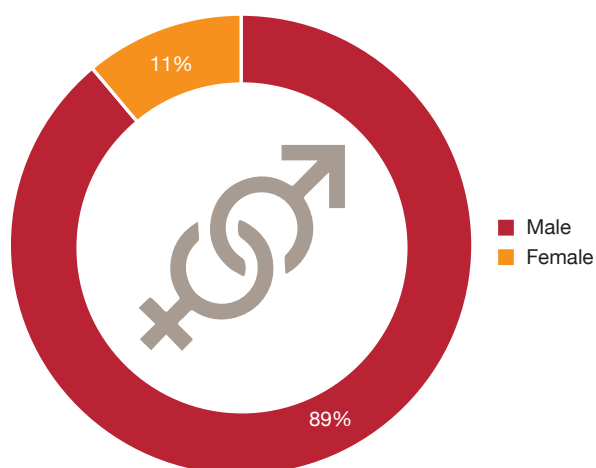
Age of the next gen (India)



Q: How old are you?

Base: All India respondents (n = 36)

Gender (India)



Q: What gender are you?

Base: All India respondents (n = 36)



PwC's integrated family business advisory

Grow revenue

- Strategy/business model
- Feasibility studies
- Going global
- Distribution strategy/channels
- Product/service innovation
- Pricing strategies
- Digitalisation

Manage ownership

- Owner's strategy
- Next gen development
- Family governance
- Culture and values
- Succession planning
- Tax and legal advice
- Exit strategy
- CSR and philanthropy

Manage the risks of growth

- Compliance
- Control environment
- Fraud risk
- Insurance coverage
- IT/cyber security
- Regulations
- Sustainability



Manage profitability

- Corporate structure simplification
- Reduce cost
- Remove complexity
- Supply chain optimisation
- Improve efficiency
- Asset and business restructuring
- Operational restructuring
- Cost accounting/transfer pricing
- White collar productivity
- Outsourcing/shared services advisory

Inorganic growth

- Mergers, acquisitions and disposals
- Due diligence
- Valuation
- Turnkey transaction assistance
- Accounting and purchase price allocation
- Post deal integration and delivering deal value

Finance growth

- Exploring financing options
- Financial restructuring
- Debt advisory
- Bank reporting
- Treasury/liquidity planning/cash flow
- Working capital management
- Preparing for an IPO

Steer the business

- KPIs and leadership development
- Internal and external reporting
- IT strategy
- Organisation strategy, design and vision
- Business intelligence
- Data analytics
- Talent and change management
- Developing capabilities for the future



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