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India Business Survey Report
November 2022

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India Business Survey

Executive summary

Over the past two years, the global economy and the world have been rattled by one uncertainty after another. Businesses in India have been experiencing significant challenges owing to the pandemic, increasing geopolitical and trade tensions, the changing global and domestic supply-chain landscape, global inflation leading to aggressive monetary tightening in the US and EU, and an impending economic slowdown on both sides of the Atlantic and in China.

That said, India has remained buoyant, and the resilience has come from its people and businesses that stood the test of time and evolved. Economic activity is gaining momentum gradually and sustainably as is evident from the Index of Industrial Production (IIP) data and GST collections. The latest GDP numbers suggest that consumers are finally back in the game after two years of low confidence and spending. According to the IMF, India is likely to drive global growth over the next two years, which is a cue for businesses and investors to focus on adapting to the new normal. Consumers and their expectations are likely to have evolved from the pre-pandemic era.

Deloitte wanted to get some insights into the strategies of Indian domestic businesses that helped them withstand tough times. Our objective was to understand what helped these Indian businesses sail through the pandemic and identify the priorities and drivers in their business strategies. In addition, Deloitte sought views of a select few India-based businesses to understand their short-term priorities and long-term strategies. For a better understanding of the challenges, this study explored four themes—recovery and resilience; long-term strategies; portfolio, strategic alliances, and future vision; and people dynamics.

The objective of the study was to help us understand the approaches and strategies adopted by Indian companies in challenging times. Prolonged uncertainties have taught Indian businesses to remain agile by focusing on both, long-term and short-term strategies. Amongst long-term priorities, strengthening the underlying fundamentals was the biggest focus area, followed by assessing risks and mitigating them, and achieving sustainability.

With changing dynamics, businesses had to use the emerging ecosystem and drive change, rather than be a part of it. Indian businesses collaborated with start-ups and improved people and leadership dynamics to reach their potential.

About the survey

Our survey captured responses from companies across India, where the questions spanned business priorities and evolving goals, given the dynamic ecosystem and the unforeseen impact of the pandemic. A select few characteristics of the respondents are as follows:

- The annual revenue (of the respondents) varied between INR500 crore and INR63,000 crore.
- The respondents belonged to the following industries:
 - Consumer products
 - Industrial products and constructions
 - Mining and metals
 - Manufacturing
 - Automotive components
 - Health care and life sciences
 - Banking and capital markets
 - Retail, wholesale, and distribution
 - Technology
 - Education

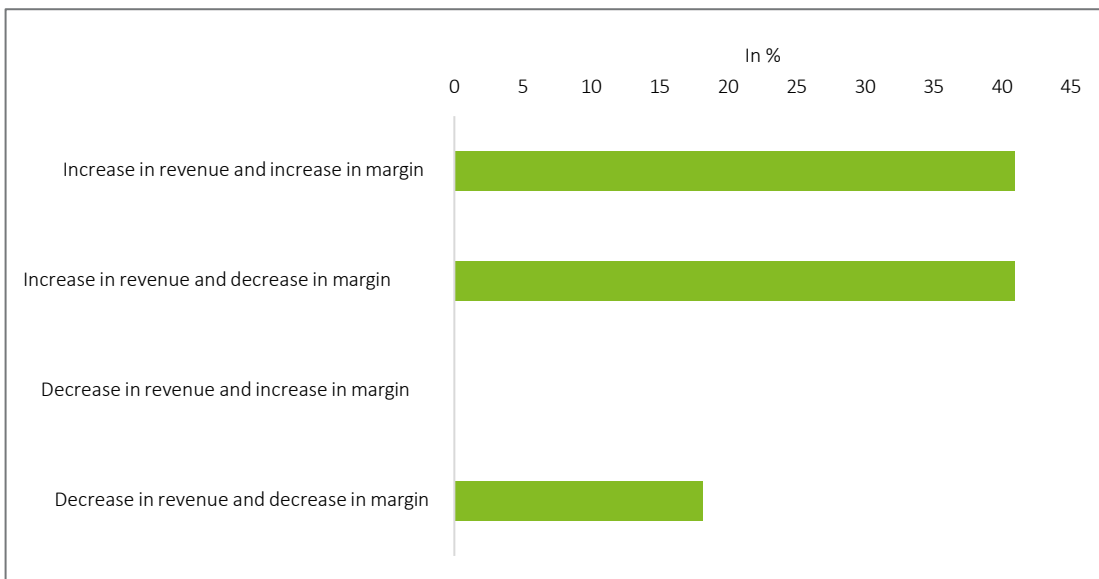
Theme one: Recovery and resilience

The pandemic led to an extreme mismatch in demand and supply. The sudden decline in demand, increasing preference amongst consumers for contactless services, a huge labour shortage due to reverse migration, and supply-chain disruptions compelled organisations to re-orient their logistics strategy and deal with the crisis at hand.

It was inevitable for companies to continuously focus on stabilising their businesses and adopt to the ‘new normal’. This required them to develop alternative strategies and build new business models to remain resilient for a prolonged period, and then recover from the impact. This included strategies, such as increasing online presence, exploring new markets and products, re-orienting supply chains, optimising product and service delivery, expanding urban and rural coverage, to not only sustain, but recover from the ongoing crisis.

To understand the impact on the resilience of our respondents and their recovery, we assessed their revenues and enquired about their strategies for revival post the pandemic. The survey results suggest that an overwhelming number of respondents demonstrated immense resilience throughout (Chart 1). Despite the odds and challenges, most companies managed to improve their revenues during this period. While a few of them witnessed shrinking margins, less than a fifth of the respondents reported stress due to falling revenue and margins.

Chart 1: Impact on revenue and margin post pandemic



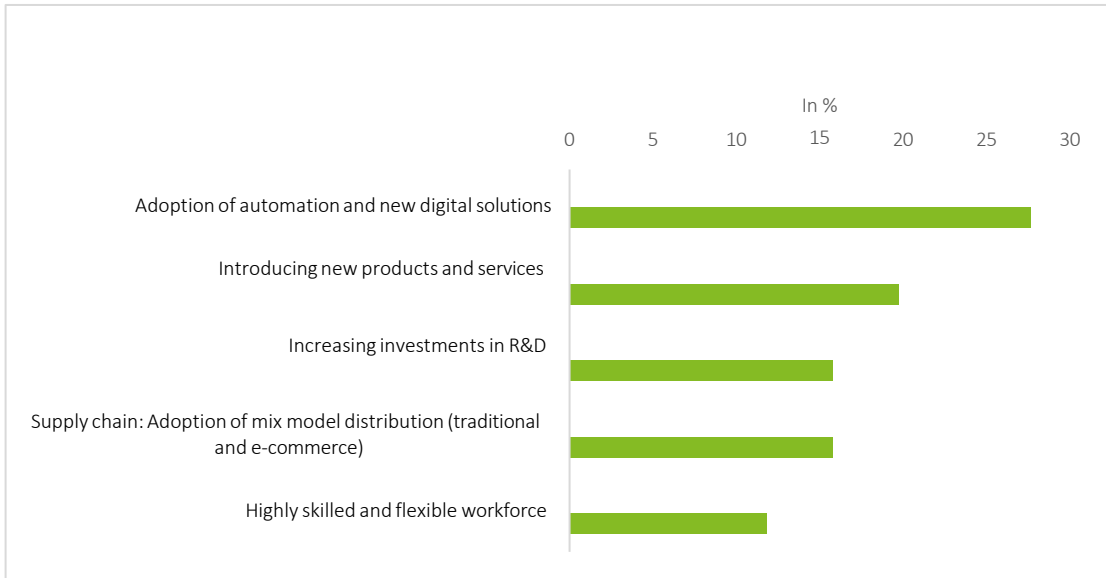
Source: Deloitte survey

(Question: What has been the impact in terms of revenue and margins post the pandemic?)

A predominant transformation was the accelerated adoption of automation and new digital solutions by organisations to respond to the crisis and sustain their businesses (Chart 2). Organisations re-oriented their business strategy by accelerating digitalisation across operations (from product development, marketing, manufacturing, retail, inventory management, logistics management, and customer support). The usage of robots, collaborative robots or cobots, Artificial Intelligence (AI), and industrial Internet of Things (IoT) for various applications was increasingly accepted amongst manufacturing companies.

Businesses also introduced new products and services to meet changing consumer demands and preferences. To support rapid needs and re-orient their supply chain, these organisations allocated significant capital towards research and development. The results also pointed towards a rapid adoption of mix-model distribution with both, traditional and e-commerce channels, to evolve with changing consumer needs and business trends.

Chart 2: Strategies for the post-pandemic recovery phase



Source: Deloitte survey

(Question: What would be the change in the strategy during the post-pandemic recovery?)

Unexpectedly, the focus on building an agile workforce ranked the least amongst respondents. The pandemic and Industry 4.0 have necessitated a rapid shift towards hybrid working and virtual operations to effectively deal with mobility restrictions. In addition, the challenge of upskilling and reskilling their existing human capital to keep pace with the changing organisational capabilities is immense. With these shifts, it was surprising to see our sample firms not prioritise the re-alignment of talent teams with a skilled and flexible workforce.

Theme two: Long-term strategies

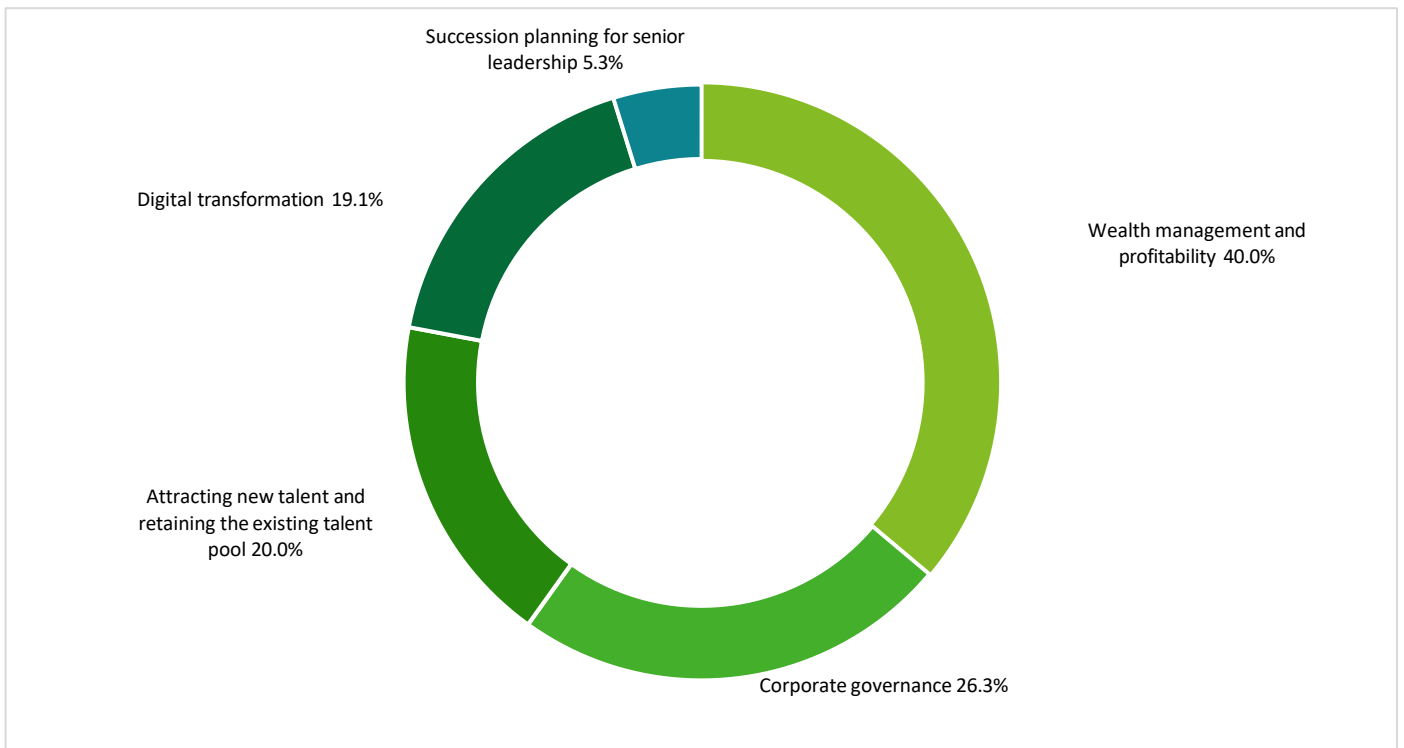
As Indian businesses managed to sustain operations during the pandemic, there was an increasing realisation that past strategies had to be fine-tuned. There was a parallel shift in approach and strategy that organisations adopted with a long-term perspective. These involved three long-term priorities—strengthening their core fundamentals by establishing key priorities, continuously assessing risks, and working towards sustainability.

The questions on strengthening core fundamentals tried to capture a 360-degree view of what Indian businesses could have focused on. These included financial performance, governance, best practices for value creation, talent, and leadership.

Our survey respondents gave paramount importance to wealth management and profitability for the sustainable progress of their respective organisations (Chart 3). This explains why most responding firms did well during the pandemic.

The second-highest emphasis was on imbining strong corporate governance practices. This could be because adopting accountability, fairness, responsibility, and risk management into day-to-day operations helped them win internal and external stakeholders’ approvals. The survey further enumerated that in an era of rapid technological innovation, imbining digital transformation within the production and marketing processes remains crucial.

Chart 3: Sustaining fundamentals of an organisation



Source: Deloitte survey

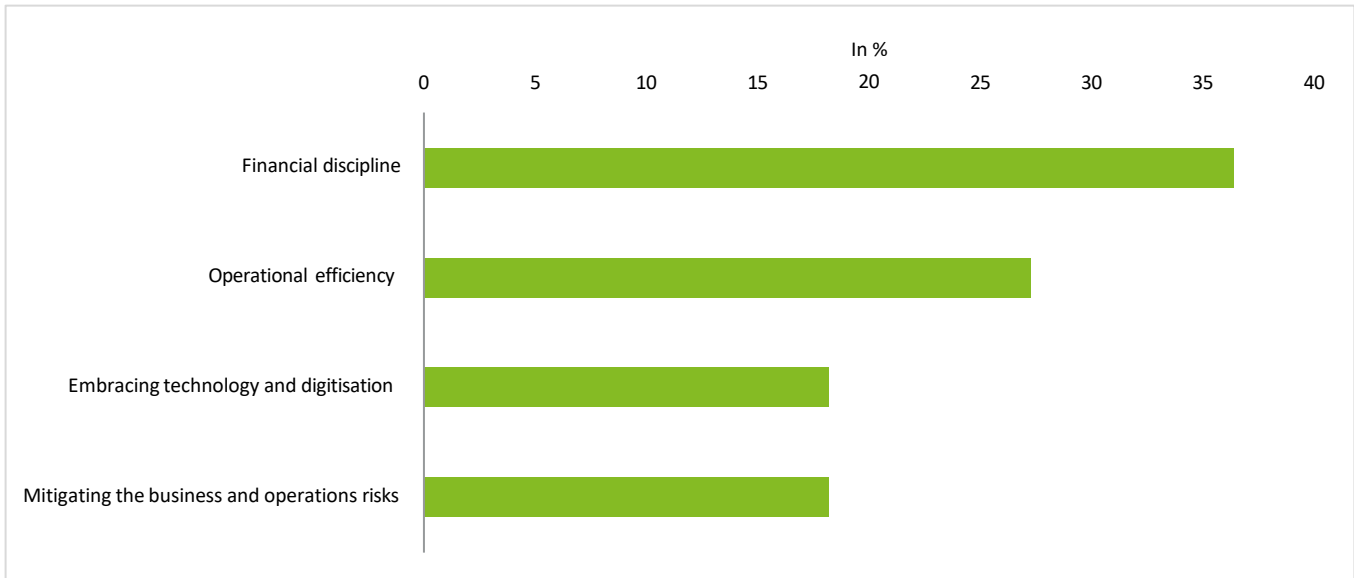
(Question: Which of the following do you think is most important when it comes to sustaining the fundamentals at your organisation?)

There is a difference in comparison with the earlier observation (in Chart 2) where talent and workforce were amongst the least prioritised strategies for resilience and recovery. For building long-term strategies, respondents viewed the workforce as the

backbone. Undoubtedly, the respondents understood the need to attract and retain talent as a long-run strategy. While leadership is considered important, our respondents did not emphasise on succession planning to identify future leaders for critical positions within an organisation. This could be because most sample firms already had stable leadership.

We dug deeper to understand parameters that influenced wealth management and reasons to embrace digitalisation and designed the next two questions, related to financial and operational factors and risks (Chart 4). Respondents overwhelmingly voted financial discipline as critical for an organisations’ sustenance and to maximise shareholder wealth.

Chart 4: Impact on shareholder wealth



Source: Deloitte survey

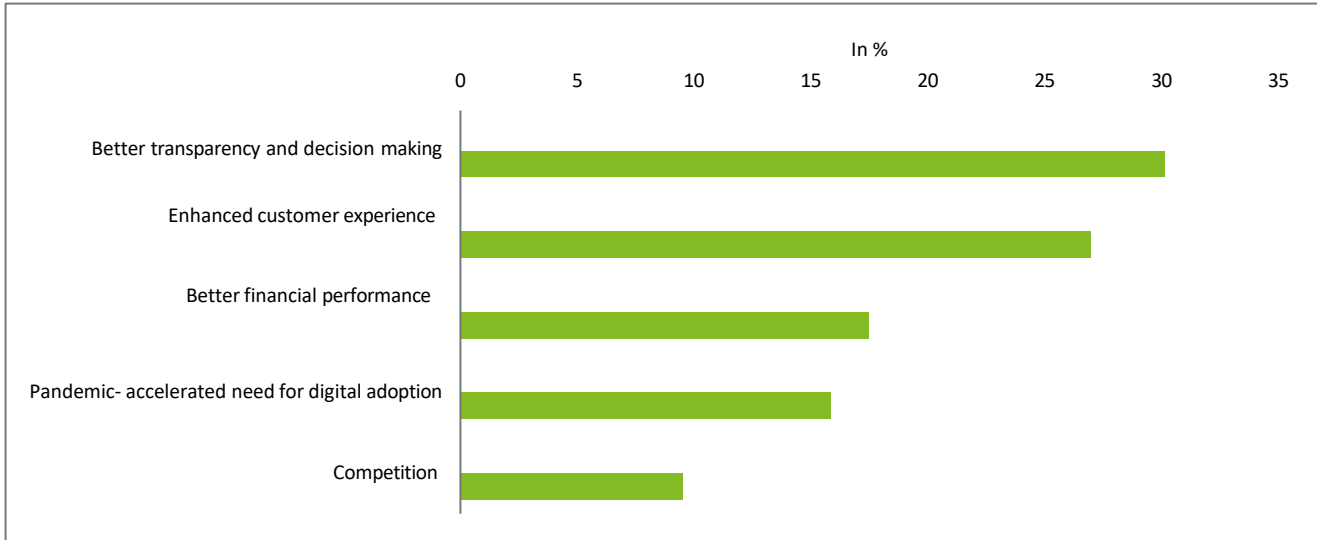
(Question: Please rank the below in terms of importance and impact on shareholder wealth.)

Operational efficiency was another factor that respondents identified as a lever for wealth management. Digitalisation and mitigating business and operational risks were essential as well, especially amidst uncertainties, and were already considered while achieving financial and operational efficiencies.

Digitalisation helps in decision making with real-time availability of data for analysis and assessment. This improves the efficiency of operating models and brings transparency. Furthermore, digitalisation helps improve an organisation’s financial performance. This is done by aligning repetitive paper-based processes, such as account payable procedures and work order processing, and saving costs and increasing revenue (Chart 5).

In addition, respondents asserted that digitalisation enhanced customer experience with the use of digital tools, such as chatbots, live chats, Frequently Asked Questions (FAQs) pages. The boost in online transactions and contactless functioning provided the respondents with the much-needed tools to deal with the pandemic-induced shocks and keep pace with competition.

Chart 5: Reasons for embracing digitalisation

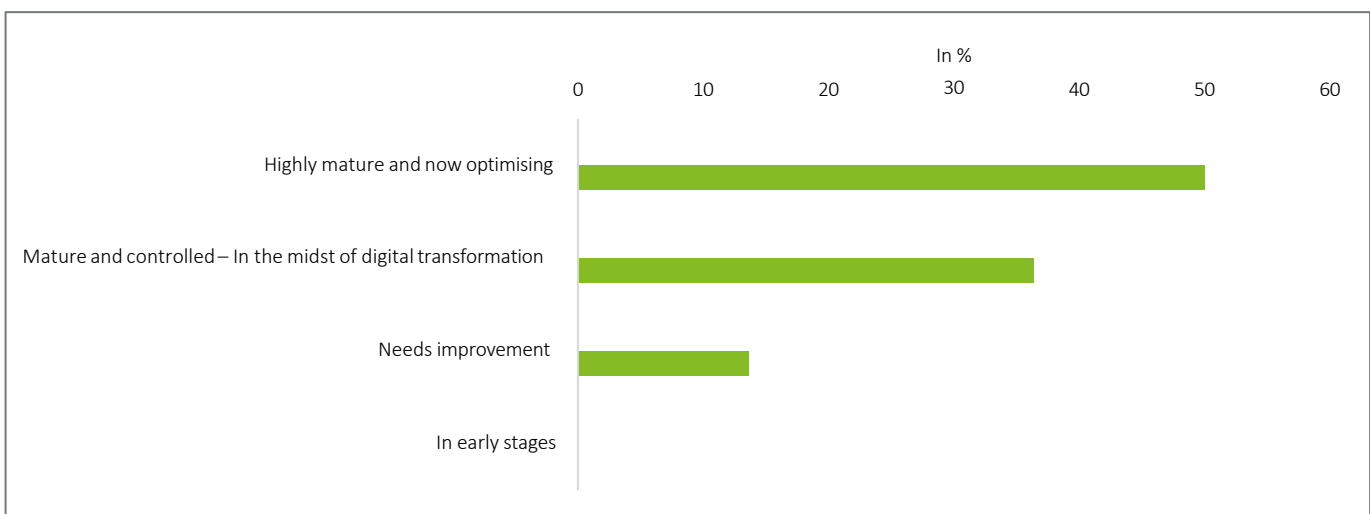


Source: Deloitte survey

(Question: What are the possible reasons for which your organisation has already adopted or has a plan to embrace digitalisation?)

In chart 6, the results about digital maturity seemed a bit contrary to what we would have expected from our earlier analysis. Our respondents understood the significance of digitalisation as evident from the responses above. However, they lagged in the global digital maturity curve, with merely a third of the respondents admitting to being at the ‘mature and controlled’ stage of digital transformation. This could be due to the pandemic that pushed them to re-orient their strategy towards digitalisation. Despite accelerated efforts, respondents believed they had a long way to go.

Chart 6: Maturity curve of digitalisation



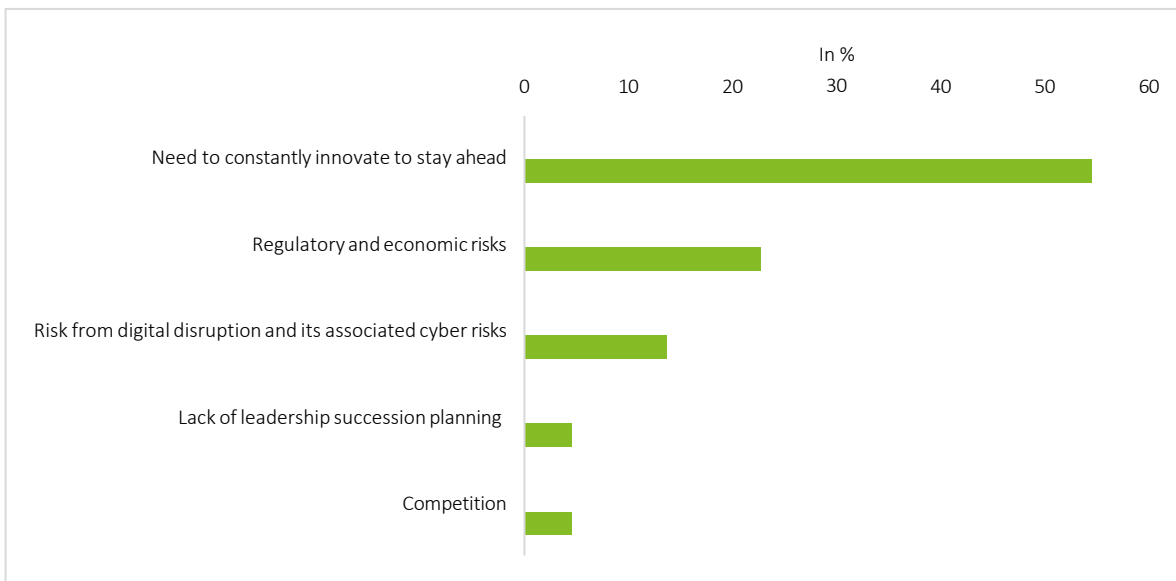
Source: Deloitte survey

(Question: Where do you see your organisation in terms of the maturity curve for digitalisation?)

The second long-term priority was assessing risks and developing effective mechanisms to mitigate them. This became important to survive and sustain and stay ahead in the game amidst uncertainties. Respondents believed that the foremost risk came from innovation that constantly changed the economic and business dynamics. Therefore, to keep pace with these changes, respondents felt the pressure to constantly keep up with innovation to preserve growth and profitability and gain a competitive edge over competition (Chart 7).

The other risk emanated from regulatory and economic factors. On one hand, regulatory and policy changes required companies to conform to mandates and adjust their norms and framework, on the other hand, economic risks, such as supply-chain disruptions, interest rate and exchange rate fluctuations, inflation, and demand uncertainties required them to remain agile.

Chart 7: Risks faced by businesses today



Source: Deloitte survey

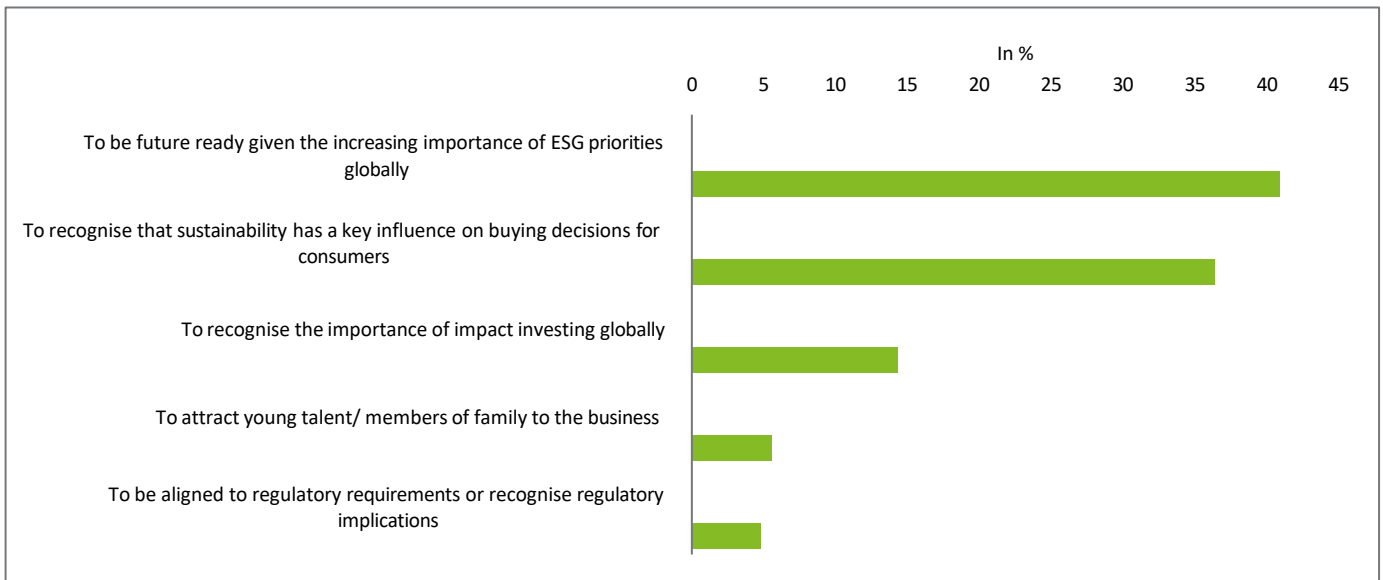
(Question: Could you please rank the following risks, which businesses are facing today?)

Repeatedly, adopting digitalisation was one of the priorities. However, organisations need to deal with the cyber-related challenges, including phishing scams, internet fraud, online intellectual property infringements, identity theft, and online harassment. Respondents were relatively new to these risks as they were in the early stages of digitalisation.

Not many respondents viewed leadership and succession planning as risks this is probably because of an already stable leader. In addition, they did not vote competition as an intimidating risk to their organisational growth. It could be because they felt innovation and digitalisation were the necessary tools to deal with that and they had already prioritised both.

Working towards sustainability was the third long-term focus. With the urgent need to achieve greater sustainability, many businesses are putting the Environment and Sustainability Goals (ESG) at the centre of their strategies. Businesses are also doing this to increase their impact across geographies and sectors. Respondents were interested in achieving ESG goals and not only due to regulatory reasons (Chart 8). A large proportion of respondents felt that aligning themselves with ESG would help them become future ready and stay in line with global competition. Besides, given the rising awareness amongst consumers towards environmental issues and their willingness to make a difference, respondents understood that sustainability efforts will influence buying decisions in the future. Further, given the global momentum to drive initiatives towards ESG tools, investing in them seemed to be an obvious choice.

Chart 8: Reasons for ESG ambition



Source: Deloitte survey

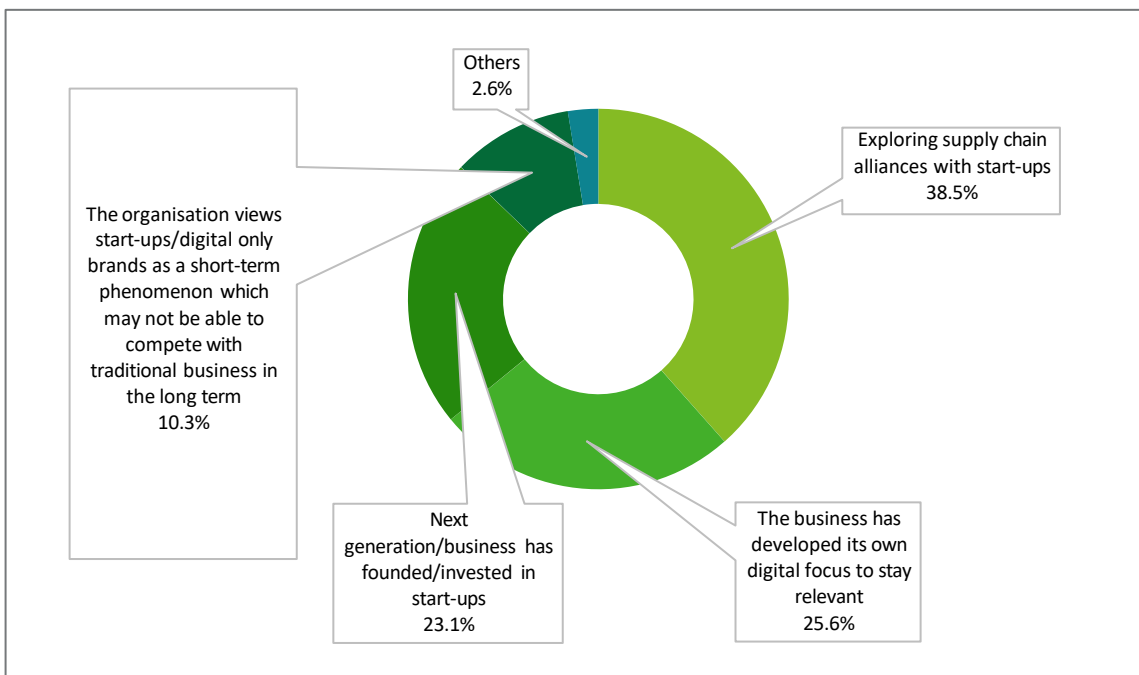
(Question: Please rank your reasons in order of importance as to why organisations today should have ESG ambitions.)

Theme three: Portfolio, strategic alliances, and future vision

To achieve the three long-term priorities alone and without support could be a challenging task. An obvious expectation would be to make coordinated efforts on a sustained basis. While business acquisitions are an obvious way to expand and grow, the other way is to collaborate with the new ecosystem that is quickly changing and transforming market dynamics forever. It is in this way that traditional players use emerging ecosystems and drive change.

The survey revealed that respondents are increasingly engaging with the startup ecosystem in building stronger and trustworthy relationships with stakeholders across the value chain (Chart 9). An overwhelming number of respondents favoured exploring alliances with start-ups in supply-chain management, which seems obvious. A significant number of respondents invested in the next-generation business model of start-ups with innovative business ideas.

Chart 9: Collaborating with start-ups



Source: Deloitte survey

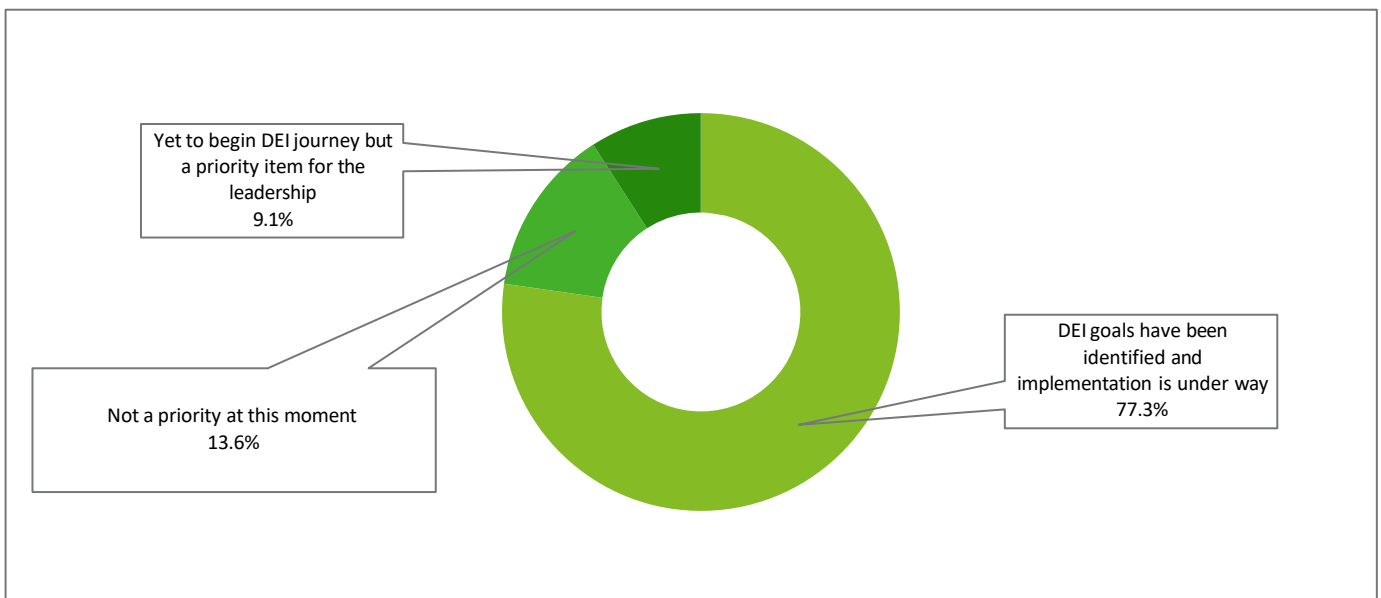
(Question. How is your organisation using and/or collaborating with the emerging startup ecosystem?)

One fourth of our respondents built a strong in-house team to focus on their digital journey. A smaller fraction of the respondents felt that these digital-only start-up brands may not be able to compete with traditional businesses in the long term. Hence, they refused to acknowledge the long-term success of these models.

Theme four: People dynamics

One of our earlier questions revealed that talent is critical for long-term sustenance and to reach businesses’ full potential without barriers. Investing in a workforce with varied backgrounds, knowledge, skills, and experiences can improve decision making, result in greater innovation, and enhance customer satisfaction. This was further substantiated by the response to the question (Chart 10) about Diversity, Equity, and Inclusion (DEI) goals. Almost three-fourth sample firms identified and implemented the goals to augment innovation, enhance problem-solving, and improve performance. A small portion of respondents revealed that despite recognising the importance, they were yet to begin their DEI journey.

Chart 10: Adoption of DEI policies



Source: Deloitte survey

(Question: Indicate where you are on the Diversity, Equity, and Inclusion (DEI) journey in your organisation.)

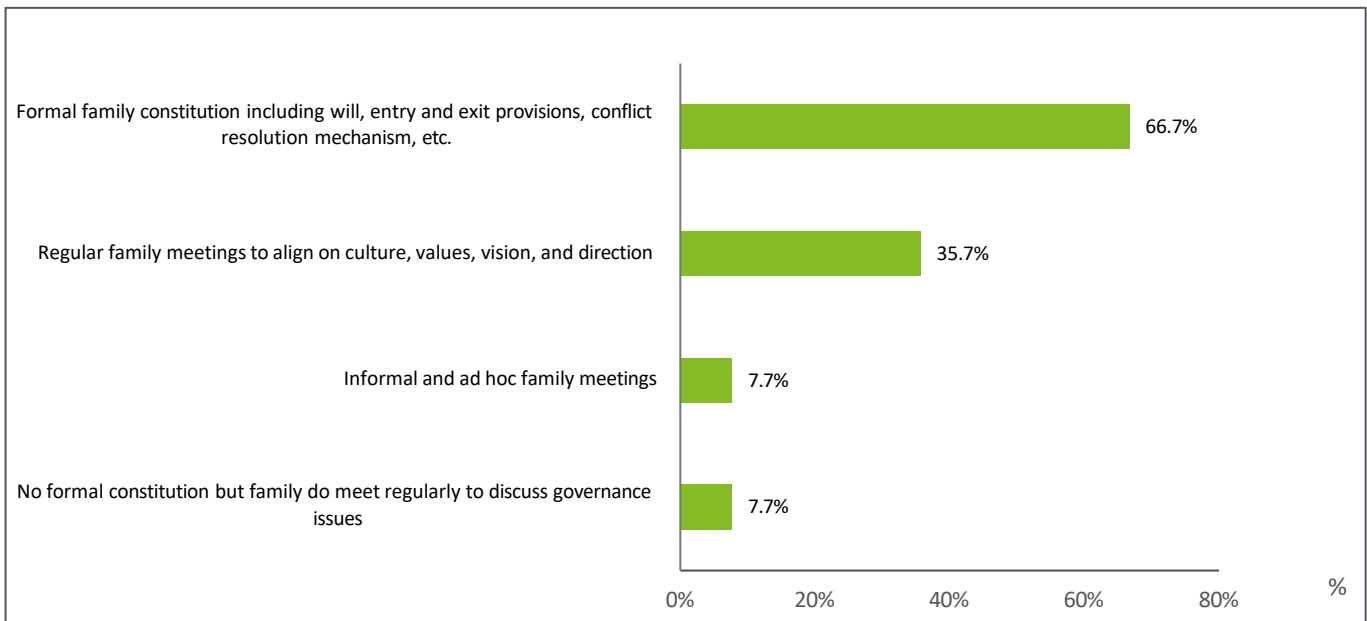
Survey specific to family-owned businesses

The Deloitte Family Business Center collaborates with professionals around the world to share knowledge, insights, and capabilities to guide Indian family businesses. A segment of our sample firms were family-held businesses. We decided to have a few optional governance questions for such business owners. The questions revolved around family governance, including succession plans and the governance of the Board.

Family-owned businesses are required to strive for effective governance structures within the family and ensure greater harmony amongst family members about the values, vision, and purpose of the business. As different generations get involved in it, a well-designed governance structure helps settle conflicts and create a healthy equilibrium between tradition and innovation.

More than half of the survey respondents enumerated that a formal family constitution including will, entry and exit provisions, and conflict resolution mechanisms were of utmost importance (Chart 11). Such a constitution helped promote open and transparent communication and settle conflicts. The second priority was to hold regular family meetings to align with the culture, values, vision, and direction of the family business. The regular cadence helped build communication skills, increased transparency, and ensured greater harmony amongst family members.

Chart 11: Priorities for family governance effectiveness



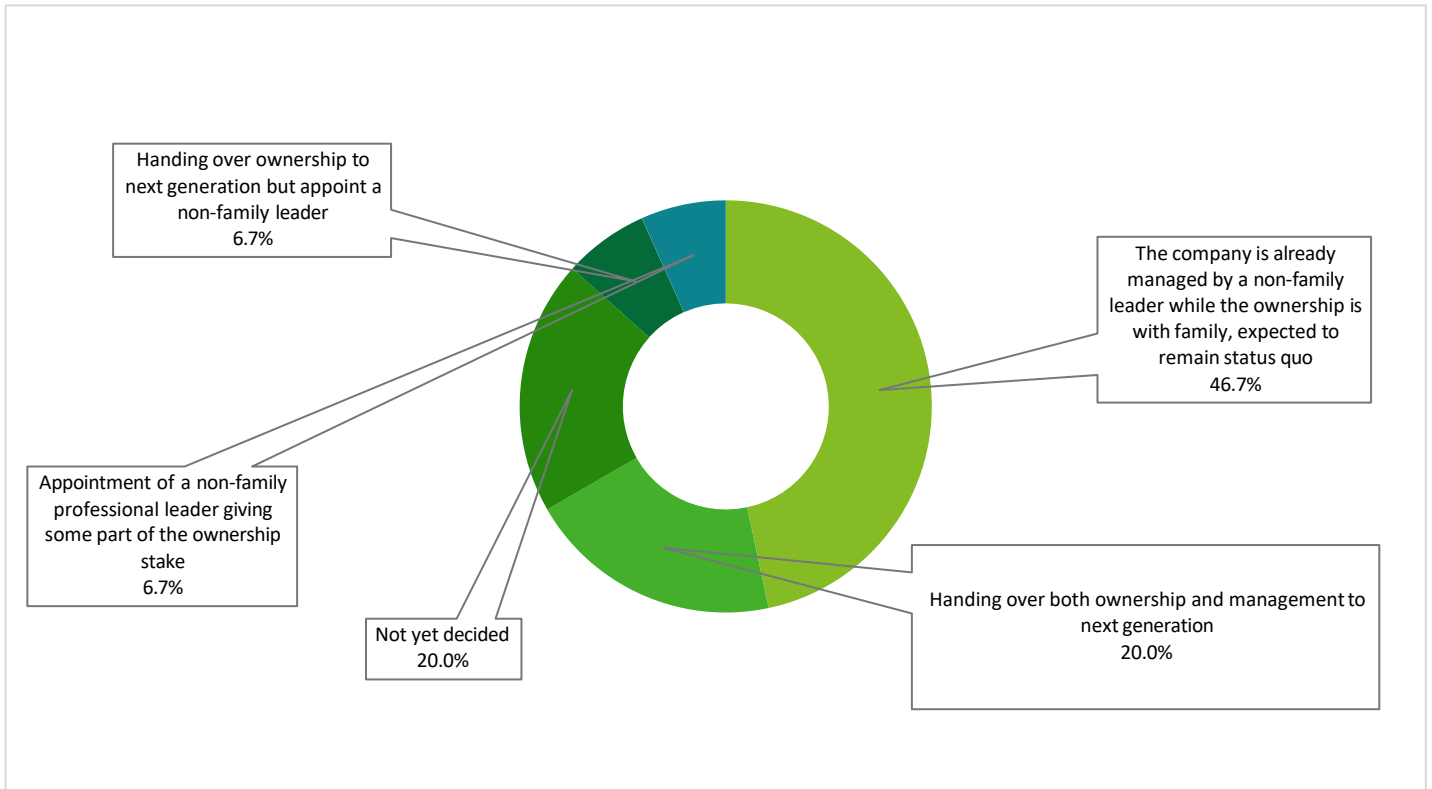
Source: Deloitte survey

(Question: How would you rank the following aspects in order of family governance effectiveness?)

The second aspect was the succession plan in terms of ownership and management. It is an essential part of family governance, as its absence can lead to power struggles and conflicts, which are detrimental to the performance of the business. Succession planning involves engaging the next generation of leaders in business decision making and setting performance expectations. This must be combined with leadership development programmes that can improve the chosen leader’s success chances and ensure business continuity.

More than half of the respondents revealed that their business is being managed by a non-family leader, even though the ownership was with the family (including the next generation in the family) (Chart 12). This displayed the confidence of appointing an outsider as a leader and the realisation that it is the need of the hour, as the business expanded. For a few of these, a non-family leader acted as a ‘bridge leader’ who helped develop the business and prepare young family members for leadership roles. On the other hand, one-fifth respondents preferred handing over both ownership and management to the next generation. A very small proportion of the respondents from family-run businesses agreed to transferring ownership to a non-family member.

Chart 12: Succession planning



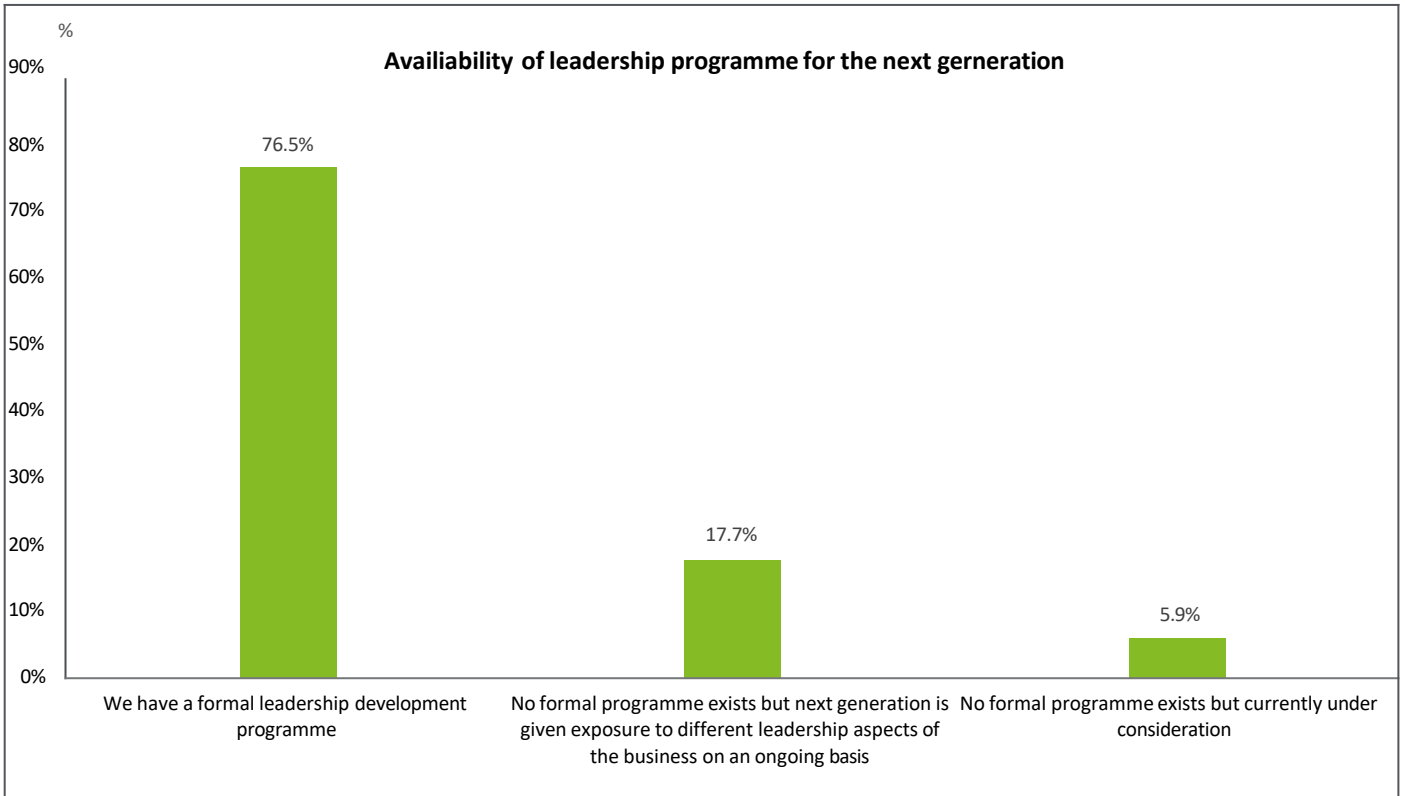
Source: Deloitte survey

(Question. How do you plan leadership succession in your organisation?)

Over two-third respondents revealed that their organisation has a formal leadership development programme for the next generation (Chart 13). These programmes helped families pass on their rich knowledge and heritage to the next generation and motivated them to learn about business. The older generation shared their experiences with the next generation to develop the skills for managing a family business.

Some respondents revealed that no formal programme existed, but the next generation was continuously exposed to different business leadership aspects, or they were considering developing one at the earliest.

Chart 13: Leadership development programmes



Source: Deloitte survey

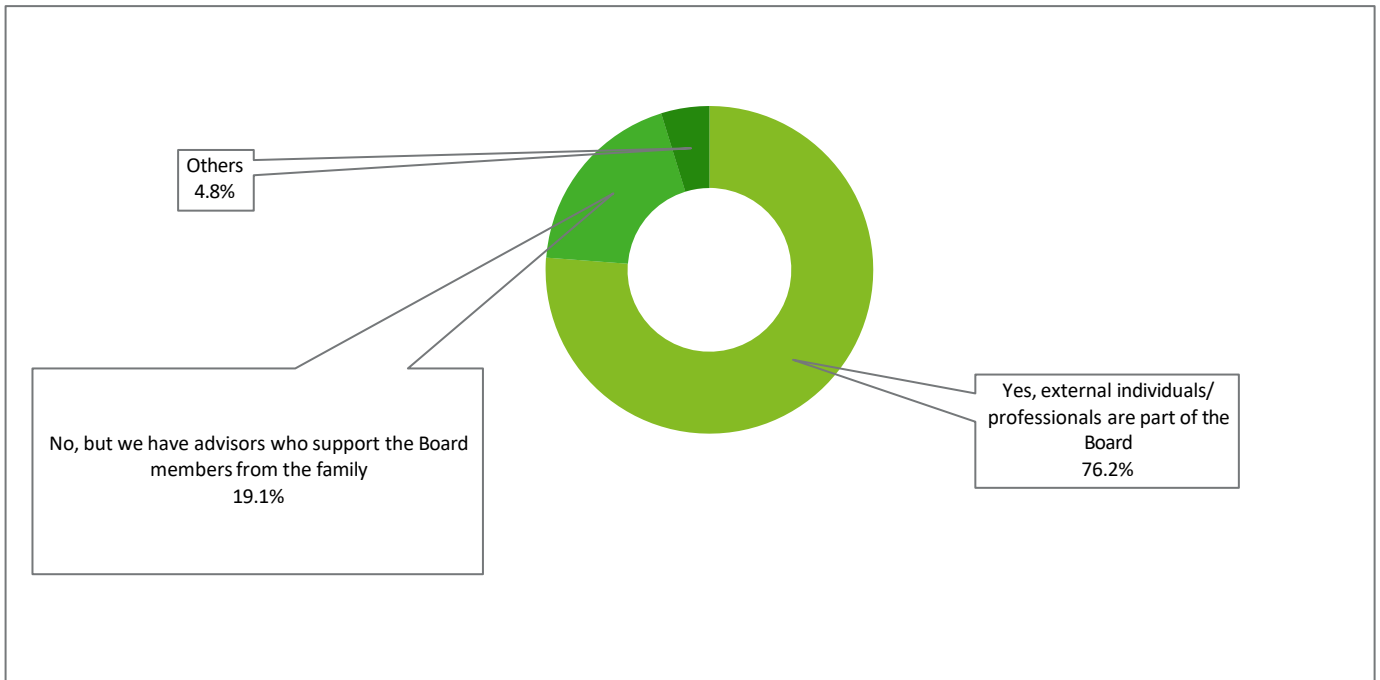
(Question: Do you have a leadership development programme for the next generation?)

Along with family governance, we wanted to understand if the governance of the Board was unbiased. Most family businesses tend to rely on internal experiences and judgments, but the presence of an external professional helps explore the benefits of having an outside influence with clearly defined roles on the Board.

Most respondents revealed that they have external professionals as part of the Board (Chart 14). This could be because of the ruling in 2014 under the Companies Act 2013 (which requires a minimum of one-third of the total number of directors to be independent directors for publicly listed companies, and a minimum two independent directors for unlisted public companies).

One-fifth respondents indicated that they did not have external professionals but hired advisors who supported the Board members consisting of family members. These advisors helped promote effective business governance, succession planning, mentor the next generation, resolve conflicts and unexpected family issues, and make strategic decisions.

Chart 14: Presence of external professionals on Board



Source: Deloitte survey
(Question: In your Board, do you have professionals outside your family?)

Key takeaways

Businesses required two-pronged strategies to evolve: to deal with the immediate crisis at hand and survive, and then work towards revival and thrive. To understand what helped Indian businesses sail through the pandemic, Deloitte conducted 'The India Business survey' with a select few India-based businesses, a majority of which had done well during the pandemic. The businesses did well as they quickly realised that the only way they could deal with disruptions and still survive was through the accelerated adoption of automation and new digital solutions, and new products and services. In this way, they can meet customer preferences and expectations.

In the long term, firms adopted a three-pronged strategy. The priority was strengthening their fundamentals with an emphasis on shareholder value and profitability. Evidently, financial discipline and operational efficiency were key to maximising shareholder wealth. Next was assessing and mitigating risks. Respondents felt the pressure to constantly keep up with the innovation to stay ahead. Lastly, our respondents were also enthused about achieving sustainability goals to be future-ready.

Digitalisation offered new business models that helped businesses improve their core fundamentals, manage risks better, and deliver tools for sustainable ESG. Our respondents also recognised the importance of collaborating with those driving this change and preferred joining hands with the start-up ecosystem. Recognising the importance of people in driving success, investing in a diverse workforce and talent were the other areas that firms focused on.

A section of our analysis also involved family-owned businesses, and we probed the governance structure and their priorities. The responses gave us perspectives about family governance, succession plans, leadership training, and the Board construct.

Conclusion

The unprecedented developments of recent times have been a learning curve for Indian businesses, and this may just be the beginning. The way forward is likely to be challenging, yet exciting in terms of market opportunities. Digitalisation is here to stay as it is helping the economy deal with disruptions and eventually become more efficient. Indian companies are key contributors in this journey. Combining digitalisation with people skills can only make companies more adaptable. At the same time, learning to be agile and staying open to explore alternative strategies would be the optimum approach to mitigate unanticipated events.

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Acknowledgements

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Vinita Kalambe



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