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Resilience and growth: Perspectives of Indian business

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Introduction

Indian enterprises have been instrumental in driving economic growth, creating jobs and generating income, helping India become the world's fifth-largest economy. Among these, family-owned businesses are particularly significant, making up around 60 percent of the top 500 firms and 91 percent of the listed companies in 2019. By 2022, 21 Indian family-owned enterprises ranked among the top 750 global business families, with one of them generating revenue exceeding US$100 billion.

Family enterprises have long been the bedrock of India's economy. Often spanning multiple generations, these enterprises have demonstrated remarkable resilience, navigating through economic cycles and market disruptions with a unique blend of tradition and adaptability. Family businesses in India are not just economic entities; they embody legacies, dreams and the relentless pursuit of excellence.

Alongside the remarkable successes over the years, these businesses are navigating rapidly changing business landscapes while adapting succession planning, establishing family constitutions and balancing family dynamics with professional management. Be it about embracing innovation and digitisation or increasing the involvement of women in leadership roles, these enterprises are redefining the values of legacy, trust and continuity.

Deloitte's experience in working with these family enterprises, now led by multiple generations, inspired us to write this report as we see them at a juncture, where opportunities are multiple and companies are increasingly planning for globalisation.

The report is further enhanced by the views of the legendary N.R. Narayana Murthy, Founder and Former Chairman and MD Infosys. Over an in-depth conversation with Romal Shetty, CEO, Deloitte South Asia, and K.R. Sekar, Leader – Domestic Markets and Deloitte Private, NRN shared his insights on the most important areas of governance, going global, values, talent, Indian family business, and above all, "being the best". He has succinctly explained every aspect of business in his distinctive style, what we call the "Masterclass of 2024".

We hope this report will inspire and guide those who aspire to build their legacies.

Best wishes,
Team Deloitte

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Romal Shetty (RS) and KR Sekar (KRS) in conversation with NR Narayana Murthy (NRN)

In this engaging conversation, N.R. Narayana Murthy, (Founder and Former Chairman and MD Infosys) exchanges insights with Romal Shetty (CEO, Deloitte South Asia) and K.R. Sekar (Leader – Domestic Markets and Deloitte Private) on pivotal themes such as fairness, transparency and accountability. These principles are highlighted as cornerstones for nurturing trust within the framework of family enterprises. Amid burgeoning global opportunities for Indian firms, Mr. Murthy emphasizes the importance of aligning with international best practices, prioritising employee development and adhering to ethical conduct. The conversation also sheds light on essential strategies for achieving global success and sustaining competitive advantage.

RS: Mr. Murthy, your pioneering role in India's corporate governance, morals and ethics is widely acknowledged. You famously stated, "When in doubt, disclose." In the context of Indian companies, family-owned businesses and start-ups venturing into the global market, what does governance truly signify? How pivotal was governance in establishing a world-class brand like Infosys?

> **NRN: Good governance is about maximising shareholder value while ensuring fairness, transparency and accountability by the management and the board of directors to every stakeholder.**

These stakeholders are customers, employees, investors, vendor partners, the government of the land, and, most importantly, society. Society is the most significant stakeholder since society contributes customers, employees, investors, vendor partners, bureaucrats and politicians. Earning the faith and trust of every stakeholder is the first goal of good governance. You know, as well as I do, that faith and trust are the two most important glues in sustaining a relationship—whether between two individuals, among the members of a team, in a community, a company, a country or the world.

Faith and trust are the two pillars of any relationship. A husband has faith in his wife. A wife has faith in her husband, and parents have trust in their children. A boss has trust in his or her subordinates. The subordinates have faith in the boss that he or she will do the right thing. Shareholders, at large, have faith in the senior management and the board of directors that they will look after the interests of these

shareholders. In other words, the foundation for peace of mind is built on trust and faith.

Let me take the example of trust and faith among family members. If you want your family members to be kind, confident, hopeful, joyful, enthusiastic and energetic about you, then your responsibility is to conduct yourself with fairness, transparency and accountability. The same principle holds good for a corporation too.

Fairness is following the golden rule: Do unto others what you want them to do unto you.

If you are fair to me, I will have full faith in you, confidence in you and trust in you. I will have sound sleep, knowing that I can fully trust you.

The second pillar on which trust is built is transparency.

Transparency is about conducting a relationship without hiding any information that, in the opinion of either party, is unfair to the other party and, therefore, endangers that relationship.

The asymmetry of information about personal benefits that the CEO and the senior management staff create in their own favour, vis-a-vis other shareholders, is a good example of a lack of transparency to shareholders at large. Transparency issues, for example, could be about the salary of the CEO and the senior management staff, the perquisites given to the CEO, the use of the resources of a listed company to grow an unlisted company owned 100% by the owner-managers of a listed company or the use of corporate resources for personal benefits.

If I must earn your trust, your faith and your confidence, then I must own up to the responsibility for whatever bad or undesirable event happened because of me, resulting in some harm to the community of shareholders. Therefore, it does not matter whether it is a family-owned company, a professional-run company, a public governance system, a bank or an NGO; good governance is necessary. In every one of these institutions,

The leaders have a responsibility to earn the faith, trust and confidence of the stakeholders, and the three attributes of fairness, transparency and accountability help a leader earn those.

RS: I completely agree. In fact, one of the things we did globally was to create a framework called Enterprise Trust, which can measure trust not just among shareholders but, like you said, among investors, vendor partners, customers and employees. This framework has also demonstrated that the share price or market capitalisation had a direct relation to the trust levels enjoyed by the senior management and the board of directors. Even in the case of an unfortunate business event, the fall in the share price was far less for companies that had earned a lot of stakeholder trust.

NRN: Fairness also means that, in a team, I should obtain only whatever is justifiable to me out of the fruits of the corporation. As I pointed out earlier, the biggest obstacle to good corporate governance is not creating an asymmetry of benefits in a corporation by the senior management and the board of directors. Almost in every case where management has allocated for itself benefits disproportionate to its own contribution is when the whole problem starts. All of us know that the biggest problem comes because the owner-managers or "professional managers" connive with ignorant, disinterested and, sometimes, corrupt members of the board of directors to create asymmetry of benefits in their own favour to the detriment of the shareholders at large. That is why fairness is very important.

KRS: Historically, India has had a significant number of family-owned businesses. One statistic says that family-owned enterprises account for almost 60 percent of the top 500 companies in India.

Therefore, the growth of the family enterprise is also important for the growth of the Indian economy. Under these circumstances, what would be your advice to the family businesses?

NRN: There is not even one family among all the families that I know where the parents want their children to be dishonest and cheat somebody or do something wrong. The parents, by definition, are the guardians of values, and they encourage their children to learn and practise good values. Therefore, I do not believe that every family enterprise is guilty of bad corporate governance. However, while parents preach good values, many times, they do not practise what they preach. They create a huge asymmetry of benefits in their own favour in listed companies of which they are owner-managers. The children get confused whether they should practise what their parents preach or what they practise. That is why walking the talk by parents is good for children. That is why good governance practises followed by senior members of the family become very important. My view is that the culture passed on by senior members of the family to their children at home or to the professionals in the company is what determines whether a company practises good governance. Good governance does not depend upon whether it is a family-managed company or a professional-run company.

It is important for our country that these family-owned corporations too flourish as the rest 40 percent of the companies. I have not come across a single case when a company – family-owned or professional-run – that resorted to misgovernance on a sustained basis has flourished for a long time. Such a company may survive for 5 years, or 10 years at best. Eventually, it will die.

The principle of fairness in good governance demands that the appointment of the CEO and senior management be based on a transparent foundation of merit. That is, whoever is chosen – son or daughter – as the successor to the father or mother should demonstrate that he or she is as competent as anybody else in the company and is the best choice and would perform well even outside the company.

These successors (chosen from the family) must demonstrate that their value system is as sound as that of anybody else in the company. Competence and values are the two foundations for a professional to succeed. Therefore, the board of directors of such companies, where the succession is family-based, must insist on choosing leaders who demonstrate the best in these two attributes.
I am not against family corporations. I think family corporations are good if the board of directors is empowered to choose the right successors based on merit, competence and values.

I have seen many smart children in family businesses make extraordinary commitments and sacrifices to strengthen the vision of their parents or grandparents. Their sacrifice, discipline, competence, hard work and values are second to none. Therefore, I will not say that family corporations are not good for our country if the senior members of the family corporations use competence and values in choosing the successors for the CEO and senior management positions.

RS: Mr Murthy, you are the founder of an Indian company that went global and built an incredible brand at a time when there were not too many Indian companies that were known outside India. Many other Indian corporations followed Infosys. You have inspired many generations of Indians and, dare I say, not just Indians but even others outside India to do this.

India is at a cusp where many good companies have taken birth. What advice will you give to these Indian companies as they seek to go global and expand internationally?

NRN: There are two time-invariant and context-invariant attributes for a corporation's continued success. They are, as I said earlier, competence and values practised by every employee of the company, in general, and by the senior management, in particular. My belief is that every Indian company must choose a portfolio of markets across the globe. You know very well that having a portfolio is a very powerful risk mitigation strategy. Tomorrow, if, for some reason, India is not growing at the required pace, a company should have other growing markets in the company's portfolio to compensate for the slow growth of our market in India. Similarly, if some other market is not growing well and if the Indian market is growing well, then our country will compensate for the lack of growth in that laggard market.

> **Therefore, in my opinion, being a multinational company is inevitable in today's world for any company, anywhere in the world. However, for Indian companies to be multinational companies, they must achieve global standards in productivity, quality and value for money.**

Such standards are good for domestic customers too. Our companies should also aim to achieve global levels of good governance to become the most respected and the most profitable companies in the US, the UK, Australia and many other markets, and not just in India.

Such a strategy requires Indian companies to benchmark themselves with the best global companies in every function of its operation – sales, finance, HR, production, quality and productivity, R&D, and, of course, delivering value-

for-money to customers. For example, during the 1990s, Infosys benchmarked itself with different globally reputed corporations for different attributes. We benchmarked in quality with Motorola, which, as you know, was the world's best company in quality at that time. We read their annual report and looked at what leading-edge ideas they were using to achieve the global best in quality. We asked our young quality professionals how we, too, can do those things and, perhaps, create some next best practices. We benchmarked ourselves with an American multinational computer hardware company in human resources practices. At that time, the company's co-founder was a visionary, was very employee-oriented, was still alive and was involved in the company's operations. For us, that company was an aspirational company in human resources management. We learnt from that company how to show that our employees are our biggest assets; how to respect them; how to maintain the dignity and self-esteem of our employees; and how to be fair to them in sharing the benefits of the corporation's growth. We created a next best practice in India in this area by making our employees part owners of the company through employee stock options.

We studied a big technology company and learnt about how to achieve growth and profitability quarter after quarter. We studied the annual report of that listed company (it was a listed company and, therefore, the annual report was publicly available) and learnt how to improve sales, how to reduce overheads, how to spend on R&D and why we should have a better technology infrastructure than our customers.

The most important requirement for self-improvement is to be humble, shun ego and become open-minded to learn from people who have performed better than us. We must test those ideas that we learn from others, implement them across the organisation if useful, and perhaps create our own next best practice.

If you want to be a multinational corporation, the entire globe is our arena. We should be ready to benchmark ourselves with the best global corporation in each attribute that will make our company the world's best. We must also be ready to accept the best global governance practices in fairness, transparency and accountability to every stakeholder.

We must aim to make our quarterly and annual reports the best global example of the accounting principles, disclosure levels and governance frameworks adopted by the best Securities and Exchange Commission in the world.

Infosys voluntarily produced India's first quarterly financial statements. We voluntarily disclosed a lot of information that our competitors were not disclosing. We did it only because our benchmark was with the best global corporations out there in the US. Similarly, we were the first Indian company to have a peer evaluation of independent directors.

The peer evaluation was performed in a respectful and confidential manner. Each director – executive and independent – would evaluate their colleagues on the board on a few chosen parameters of good governance. I, as the chairman, would sit down with each director and discuss his or her performance and how he or she could improve. Similarly, we were the first Indian company to have only independent directors on every committee of the board – the remuneration committee, the nominations committee and the audit committee. We also created a risk recognition and mitigation committee consisting of only independent directors.

I believe that a company must invest heavily in training its employees. We established the world's largest training facility in Mysore. We could train 22,600 software professionals at the same time. We gave our trainees single- or double-occupancy four-star rooms based on how many trainees were in each batch of training of 24 weeks. We have 11,300 four-star rooms. We selected our employees based on learnability. We made sure that they learnt new things constantly. We also exhorted our trainees to become value-based by talking about how the leaders in the company faced many tough situations and came out successful due to the values that these leaders practised. We focused in these lectures on the universal values of honesty, integrity, discipline, hard work, teamwork, high aspirations, accountability, transparency and fairness.

If every Indian corporation did some of these things, then it could become a global corporation.

I define globalisation as sourcing capital from where it is cheapest, recruiting talent from where it is best available, producing where it is most cost-effective and selling where the markets are without being constrained by national boundaries. I defined globalisation in this way sometime in the mid-70s. I think that this definition holds good even today.

Therefore, when you take your corporation to the stock exchange where you can get the best valuation, seek talent from where it is best available and when you look at markets where the most profitable selling is possible, the mindset of your corporation must change. A company that hopes to be a multinational corporation must embrace globalisation. However, there seems to be less focus on globalisation today than there was in the 1990s.

But I think globalisation is inevitable because we live in a globally connected village, and there is so much exchange of information, thanks to the Internet. When I want to buy an Indian car, I would look at whether there are better cars out there in Japan or Germany than what is available in India, when that foreign model would be available in India and whether the wait is worth it. In other words, we have imbibed the global market mindset in our purchase decisions.

RS: I think it is a beautiful definition.

KRS: The next question is on your favourite subject, technology. Technology has become one of the key enablers for growth in India. As you know, India has many technology-based companies. How do you think advanced technology will influence the growth of the Indian economy and aid Indian companies in doing global business?

RS: One of the things that I would like to add is how technology can be a competitive advantage.

NRN: Let us remember that industrialisation in the UK changed the world, brought prosperity, improved productivity and opened new markets. Therefore, technology is about reducing costs, improving productivity, reducing cycle time, enhancing comfort, entertaining people and extending people's lives. In other words, technology is an enabler of a better quality of life for human beings. It also adds a dimension that can be appreciated in a poor country like India. That is, technology is a great leveller.

Let me tell you a story about technology being a great leveller. In the early 1990s, we installed our first ATM of the ICICI Bank on our campus in Electronic City. In keeping with our philosophy of liberalism, we had only one canteen where all employees went to eat. One day, I was standing behind one of our janitors in the lunch queue at the canteen and struck up a conversation with him in Kannada. I asked him if he had used the new ATM. His face lit up, and he started smiling. I asked him what aspect of that ATM made him smile. What he said was a revelation to me.

He said, "Before you installed this ATM, I used to go to the ICICI Bank branch on the campus. There, our suited and booted software engineers with international brand shoes would come in with much confidence and force the teller to give them preference in service. Therefore, I would not get the same level of attention as these software engineers. But this ATM will disperse money in the same amount of time with the same level of enthusiasm whether you or I use it. This machine has raised my confidence in technology." What a powerful value derived from technology!

Similarly, a car will slow down when you apply the brakes whether he is a not-so-well-educated driver who is driving your car or a highly educated person like you. If you press the accelerator, it will not go much faster just because the boss has pressed the accelerator.

Therefore, I think technology is a great leveller. It raises the confidence of the poor and disenfranchised. That is the beauty of the financial inclusion brought in by technology. I am a great advocate of technology. However, technology does eliminate certain kinds of jobs. For example, some drivers will lose jobs in some countries due to autonomous driving.

It is the responsibility of the thinkers like you and corporate leaders to create better-quality jobs for those rendered jobless by automation. It is not the fault of those who lose their jobs due to technology; it is the failure of the thinkers and policymakers of our society.

Therefore, every society must embrace technology enthusiastically. But while it embraces technology, the thinkers in the society should think and create new kinds of jobs. I am not worried about the loss of these jobs if the senior management staff of corporations think of how to create new opportunities for those who lose their jobs.
The beauty of technology is that it scales up fast with minimal fuss. Whether your systems use just one gigabyte or one terabyte of data, there are no issues if you have provided the required horsepower of the processors and associated technology. Such ease of scaling up helps the growth of corporation. This growth creates new jobs. This is what has happened in our financial sector. Our banks have grown and started helping a huge number of customers while creating a huge number of jobs.

RS: Access to capital is a big challenge for start-ups. I know that you have created a fund to help them. We are obviously seeing various family offices also investing in start-ups. So, two things. What's your view on family offices investing in these start-ups or in social entrepreneurs? Is this a sustainable thing?

NRN: You know better than I do that a major part of the private equity and venture capital funds come from abroad. We want the contribution of domestic wealth to become a more significant percentage of private equity and venture capital. We are working with the government on this issue. I do believe that, as we move forward, there will be more and more family offices, and there will be more and more funding for both private equity and venture capital from domestic funds.

There is another area that we are working on. That is to ensure that our country makes it easier for foreign fund managers to operate out of India. Today, by and large, they operate from outside. This change requires us to make sure that these institutions operate with greater flexibility and that the government becomes a catalyst in making this happen. We need more and more enthusiasm among the family offices, the pension funds and the government to contribute in a more significant way to building the entrepreneurial capital in the country. At the end of the day, I do not see how India can create the huge number of jobs that we need to create without entrepreneurial capital because entrepreneurs convert an idea into jobs for people, they convert an idea into wealth for themselves and investors, and, most importantly, they convert an idea into taxes for our government.

Therefore, every policymaker must be enthusiastic about making it easy for more and more funds to come into AIFs, private equity and venture capital companies. People like you will play a very important role in this because you bring unique knowledge to help these entrepreneurs use that precious venture money properly to make this a better society.

KRS: You have nurtured and groomed many future leaders. How do you feel about the growth of Indian talent and companies on the global stage? What is your advice to those companies?

NRN: My experience at Infosys and Catamaran is that the Indian talent is second to none in discharging their responsibilities to the customer. They would not go home until they have completed whatever task had been given to them. They have a hunger for learning new ideas. They have global aspirations. They learn new technologies quickly. The number of articles on the use of generative AI that I have seen in India is just staggering. There are very few countries in the world where you see much debate and discussion on new technologies. I am a great admirer of Indian youngsters.

India has huge challenges. Today, we are providing free rations to 800 million people. The prime minister has come out with that excellent scheme. Therefore, it is the sacred duty of every one of us, the privileged few, to work hard and smart to create jobs for those poor people, so they do not have to depend on charity. That is the only way our society can become more prosperous.

I have studied a little bit of history. I have never read about a country that became prosperous without values, discipline, hard work, aspirations, competence and teamwork. My request to the wonderful youngsters in this country is that they work hard and smart, be disciplined and have high aspirations at this important juncture in the history of our country. Lots of factors are in our favour. We are one of the top countries in terms of economic growth. There is a lot of confidence around us. Lots of good policies are coming from our governments. Therefore, this is the time for our youngsters to seize that opportunity and redeem the pledge that the founding fathers of our country took. The founding fathers wanted the poorest child in the remotest village in India to have decent access to basic education, basic nutrition, basic healthcare, basic shelter and, most importantly, confidence that its own life in the future and the life of its progenies would be better than what it has been so far for that child. Mahatma Gandhi, Jawaharlal Nehru, Sardar Patel, Maulana Azad, Rajagopalachari and other leaders in our freedom fight wanted India to become such a country. If we can move towards such a reality, thanks to the extraordinary capabilities of our youngsters, I think we, the elders, can feel very happy.

RS: Just coming back to the first part of the question, which was that you identified a lot of talent and groomed a lot of leaders. What was that? Was that an instinct? What did you see in those future leaders? How did you identify someone and decide that the identified person could become a leader?

NRN: Well, you know, as I pointed out right in the beginning, whenever I look for talent, I look for two attributes. One is competence, and the second is the value system. Competence can be measured easily through learnability tests. Learnability is the ability to extract generic inferences out of a specific instance and use that in solving new unstructured problems.

The second attribute is the value system. That is more difficult to assess. It takes much longer to assess because only when a person is put to the test in real-world situations, then the true value system of the person will be seen. I was very lucky that all these youngsters that I chose – Nandan, Kris and others – were excellent in competence and values. While I can claim to have had a solution for measuring competence, I would be telling you a lie if I said that I could assess a person's value system in half an hour.

I was lucky. I have always believed in luck because I have not seen anybody succeed without luck. It was Louis Pasteur who said, “When God is shy to announce his presence, he comes in the form of chance.” Therefore, my belief is that nobody succeeds without luck. But luck comes only to those who believe in hard work, competence and doing everything possible within their power.

As Gita says, "You must do everything necessary and then only pray." The good thing about this belief is that it also provides you with a little bit of humility and courtesy to others who have not been as lucky as you are. It tries to eliminate hubris. It helps mitigate one’s arrogance. So, by acknowledging that whatever little one has achieved is the result not just of all that one was born with and all that one did, and that luck played its part, one can become a little humble.

In my own case, I can cite hundreds of instances when I thought I would win a certain transaction, but I lost it. In many cases, when I thought I would lose a certain transaction, I won. I was not able to explain why I won and why I lost. Therefore, I owe it to luck. I owe it to god. That is how I look at success. It helps me sleep well. I do not discuss my faith with anybody. It is a personal equation between me and my god.

RS: Fantastic. Thank you. I think it is always nice to have a master class.

KRS: Thank you for your time. This was a great “learning session,” you shared wisdom on every topic we discussed.

Executive summary

Indian society is primarily family-based and has had a considerable influence on doing business in India for ages. Anyone who sets up an enterprise does so by keeping his family as a priority and, usually, having the financial and resource support of the family. Despite the considerable influence of various countries in the past, globalisation, and rapid digitisation, Indian businesses continue to remain dominated by families even today. The cultural, social, and economic factors make Indian family-owned enterprises unique. The control of these enterprises usually resides within the closed network, and there is a strong preference for ownership to be transferred to the next generation.

Historically, founders of family-owned enterprises have preferred raising funds through family savings. That allows them to have strong control over finances and strategic decisions in the early days. Every participating family member has skin in the game, which aligns their interests with the business. It builds trust among family members. Some of these are also the reasons why family-owned enterprises in India face unique challenges, such as a family-centred business structure and governance, a lack of succession, or an external view.

However, the trend has been changing lately. First, most traditional family-owned enterprises have now emerged as conglomerates, and borrowing from the formal banking system for further expansion is a reasonable option when a certain size is reached. Second, new-gen enterprises have had slightly better access to capital markets due to high global liquidity and the rising appetite of global investors to invest in emerging countries.

Global networking and exposure, opportunities to take greater risks, and access to resources and technology are rapidly changing the dynamics of family-owned enterprises. These are enabling newer generations of these businesses to bring in fresh perspectives, new possibilities, and innovative ideas. For instance, the new generation is also tech-savvy, more innovative, and has a better understanding of financial markets. Business school education in India and overseas is improving family-owned enterprises' ability to obtain external capital for expansion, in contrast to their traditional reliance on family savings. This exposure enables these organisations to broaden their perspectives and take a more proactive approach to growth. It is common to see businesses roping in financial investors, such as Private Equity (PE) or Venture Capital (VC) funds for not just capital requirements but also valuable expertise in areas such as strategy, governance, and market access.

Trends are changing with a growing number of alternative financing options that unlock significant growth potential and value creation for stakeholders, including family members, employees, and investors.

The other changing trend is that of the rising participation of women and collaborations with start-ups. The evolving business ecosystem puts pressure on new-generation leaders to embrace new mindsets, place emphasis on social impact and sustainability, and adopt technology to remain agile. These factors contribute to strengthening the resilience, responsiveness, and adaptiveness of family-owned enterprises to the changing environment.

Strong family ties, family culture, and the desire to build a strong family-owned empire are expected to remain critical elements in the success of such enterprises. These enterprises will also see a shift in perception among newer generations as they build large and resilient enterprises with strong leadership, bold strategies, effective financial and resource allocation, and proactive risk management protocols. The mix of both old and new practices will lay the foundation for large, successful clusters of enterprises in the future.

Section 1: The rise and resilience of family-owned enterprises in India

> The family, rather than the individual, was looked at as the unit of the social system; thus, the population of a given region was generally estimated in families rather than in heads.
>
> - Basham, in the context of India in his book Indian models of economy, business, and management.[xviii]

In 2018, India had 111 publicly listed family-owned enterprises.[1] Only two other countries, China (159) and the US (121), had more such enterprises in the world.[i] In 2022, among the world's top 750 family-owned enterprises,[2] the US was ranked first with a 21 percent share, while India had a 2.8 percent share.[ii] A total of 21 Indian family-owned enterprises were among the top 750 business families, of which one had revenues of more than US$100 billion.[ii]

Currently, family owned enterprises account for ~ 70 percent of the top 500 firms and 91 percent of the listed companies.[iii, iv] They create millions of direct and indirect jobs, and as of 2023, they contributed significant revenue flows into the economy and accounted for ~79 percent of GDP.[v]

However, according to a study, the average market capitalisation of family-owned enterprises in India

[1] A family-owned enterprise is identified as a firm where the founders or descendants hold at least 20 percent of shares and voting rights

[2] Ranking of the firms were based on revenue.

is ~US$7.6 billion, making it among the lowest in the world. This is significantly lower than countries such as the US (US$23 billion), but comparable with China (US$7 billion).[i]

This is probably due to a large informal sector. There were 63.5 million enterprises in 2015–2016; of which, 97.7 percent were in the unorganised sector and two-thirds were not even registered.[vi] The unorganised sector has witnessed significant growth in India. Factors such as inadequate access to formal sources of funding, lack of supporting infrastructural ecosystem, and current labour laws and regulations around the size of enterprises have somewhat discouraged businesses to move to the organised sector.

The unorganised sector has a significant presence of family-owned non-corporate enterprises (dominated by proprietary units) and often remains unaccounted for due to poor registrations.

Overall, a robust legacy of family-owned enterprises in manufacturing, trading, and services has played a crucial role in the country's economic landscape. Small or big, formal or informal, such enterprises have been crucial in creating jobs and propelling India's growth engines. Although informal enterprises can independently reinforce positive outcomes alongside formal systems, but they can grow even more if they are formalised. These enterprises need to become more competitive to capture global market prospects.

Growth of family-owned enterprises in independent India

Any business model of a country is borne out of the prevailing system in society and culture. In India, a family-based social system, close-knit communities, the culture of working for self and family, and high savings manifested in entrepreneurship and the prevalence of family-owned enterprises.

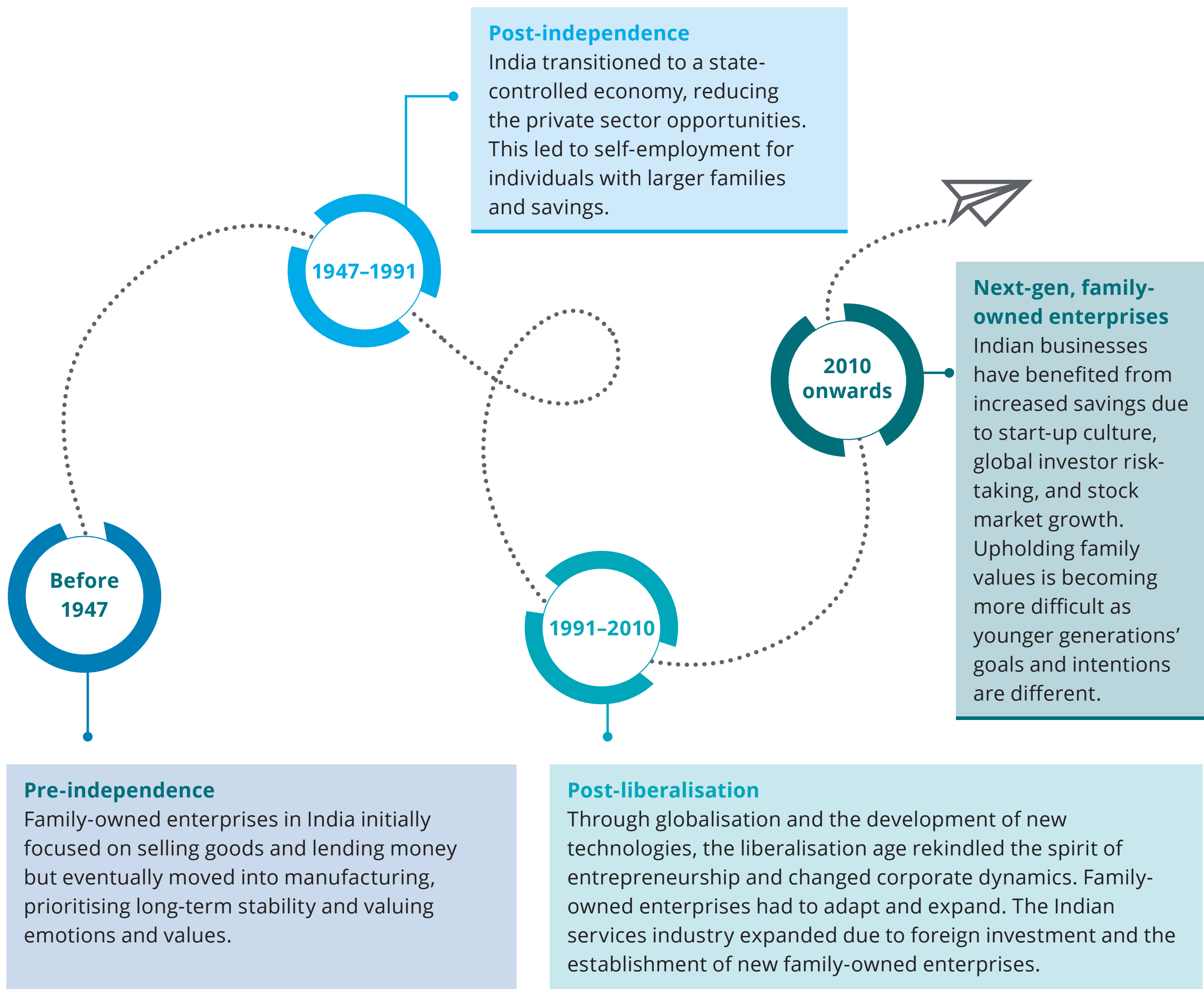
India was primarily an agriculture-based economy, with fewer opportunities in the industrial and services sectors. That prompted people who did not want to engage in farming, to look for self-employment opportunities. After independence, there was a prominent policy shift towards a state-controlled economy that created a scarcity of resources and opportunities for the private sector. The liberalisation in 1991 promoted the globalisation of jobs, skills, capital, and workforce, compelling family-owned enterprises to reinvent themselves and adapt to the changing business environment.

Liberalisation fostered the revival of the entrepreneurial spirit, and many family-owned enterprises took advantage of the opportunities to launch new businesses or grow existing ones. As the services sector grew in prominence, it led to the entry of several new standalone family-owned enterprises as well as the expansion of existing businesses into newer service domains.[vii] This was possible because entry into service-based businesses required less initial capital than manufacturing, and opportunities were immense due to the rising popularity of internet-based services. The presence of family-owned enterprises was further affirmed in Indian businesses. According to a study conducted by the Indian School of Business's Thomas Schmidheiny Centre for Family Enterprise, the number of family-owned enterprises registered on the Bombay Stock Exchange and the National Stock Exchange of India grew by 50 percent between 1991 and 2015.[vii]

After liberalisation in 1991, the possibilities and pace of family-owned enterprises' growth transformed. Changes in the policy landscape post-liberalisation opened considerable scope for private economic activity to scale up and explore newer opportunities within and beyond industries and boundaries.

As cost competitiveness drew foreign interest and investment to India, access to foreign capital and know-how gave fresh vigour to the growth of family-owned enterprise models after liberalisation.

Figure 1 – Evolution of family-owned enterprises



Pre-independence
Family-owned enterprises in India initially focused on selling goods and lending money but eventually moved into manufacturing, prioritising long-term stability and valuing emotions and values.

Post-liberalisation
Through globalisation and the development of new technologies, the liberalisation age rekindled the spirit of entrepreneurship and changed corporate dynamics. Family-owned enterprises had to adapt and expand. The Indian services industry expanded due to foreign investment and the establishment of new family-owned enterprises.

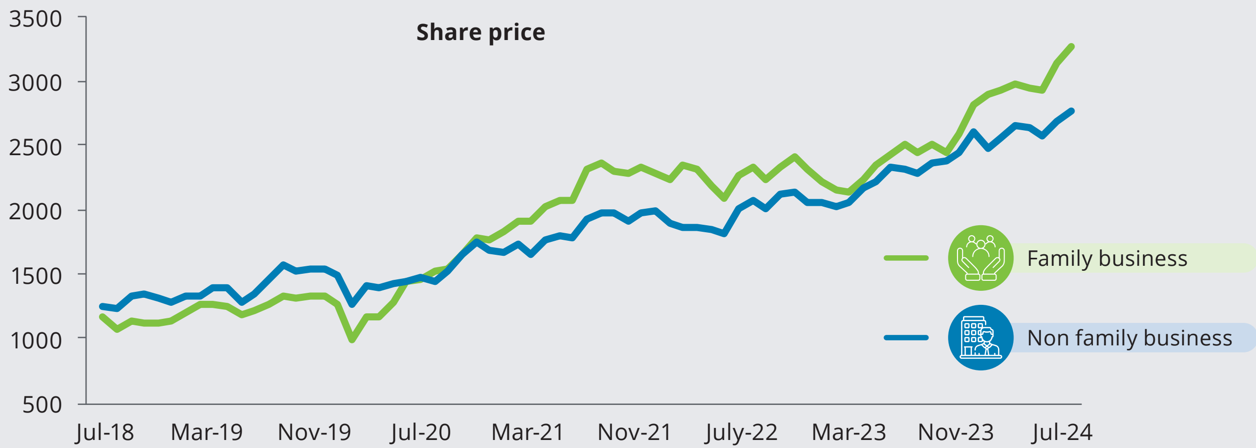
Resilience of family-owned enterprises during COVID-19

Multigenerational family-owned enterprises are testimony to resilience to severe crises, including natural disasters, economic recessions, regime changes, and wars. A large part of this resilience could be attributed to adherence to family values, the ability to use their family's social and financial capital, and the authority to make quick decisions. The report looks at the Nifty 50 companies to evaluate the performance of family-owned companies and compare them with non-family-owned enterprises.

The analysis suggests that family-owned enterprises were able to recover quicker than non-family-owned enterprises. Their share prices bounced back sooner after a brief fall during the countrywide lockdown and the recovery was also sharp and quick (Figure 2). This was despite the severity of the impact of the pandemic on sales, which turned negative in FY2020 and FY2021 (Figure 3). Meanwhile, sales growth in the non-family-owned enterprises corrected in FY2024 after two years of high growth.

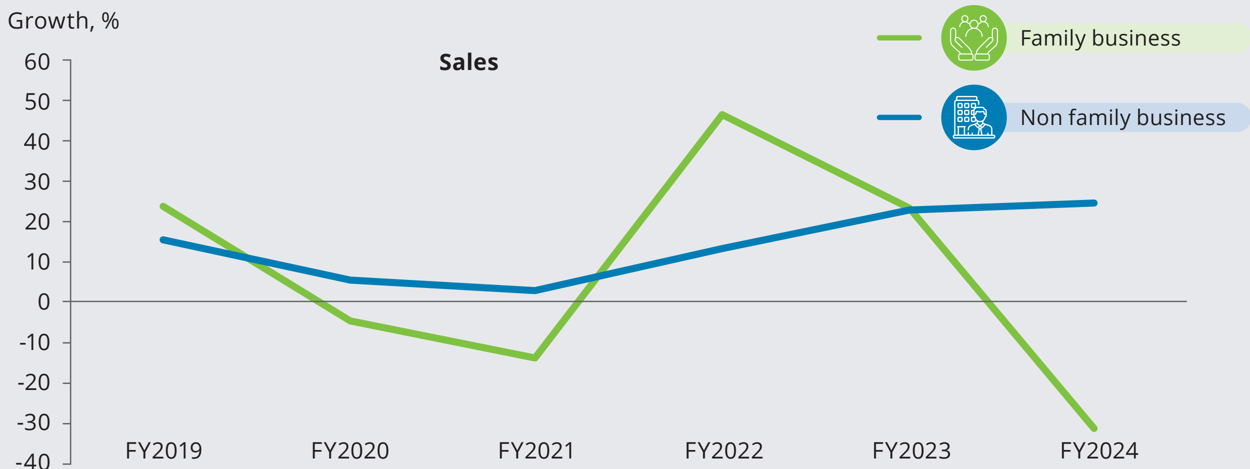
Healthy balance sheets of family-owned enterprises were one of the factors that led to a strong recovery in share prices. The net debt of family-owned enterprises was considerably less than the debt levels of their counterparts (Figure 4). In addition, the former deleveraged further despite a low-interest environment.

Figure 2: Share price performance of family and non-family-owned enterprises



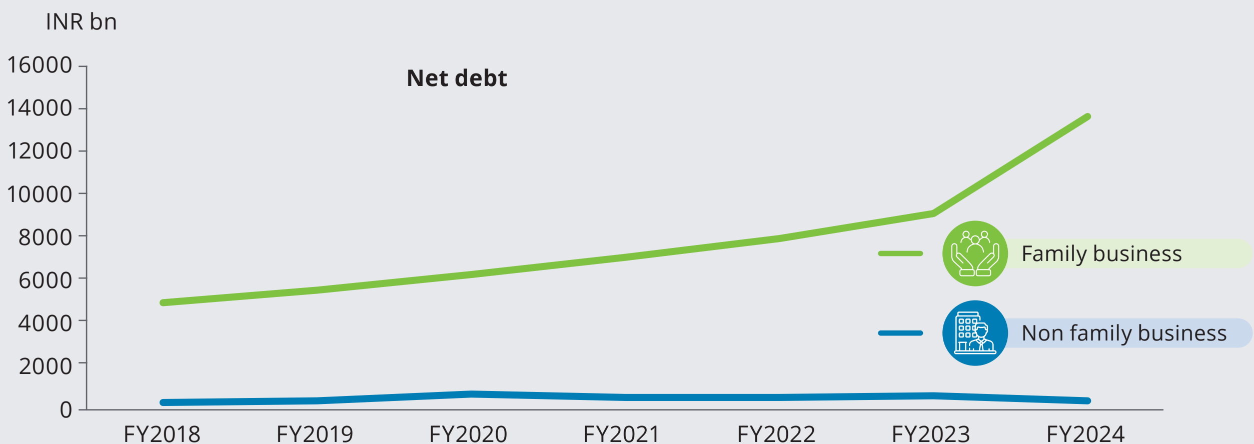
Source: Capitaline

Figure 3: Sales performance of family and non-family-owned enterprises



Source: Capitaline

Figure 4: Debt of family and non-family-owned enterprises



Source: Capitaline

Section 2: Uniqueness of family-owned enterprises

> The people of India have been shaped by a unique system of social and behavioural systems driven by the age-old culture that mandates family life, hard work, savings orientation, entrepreneurship, and a self-dependent mindset.
>
> - P. Kanagasabapathi, Professor and Author.[viii]

Unique social and cultural factors have contributed to the evolution of family-owned enterprises in India. These factors have given enterprises distinct advantages, whether it is financing, running operations in a closed network, or trusting family members for decision-making. These advantages have created synergies between capital and management that are necessary to guarantee the success of family-owned enterprises.

1. Control over finance, especially in the early days

First-time entrepreneurs faced greater financial constraints before they had access to global funding, thus their businesses had to rely on family and community capital in the initial phases.[ix] The other option was to form alliances with extended family and friends to gain their support. Borrowing from communities and local financiers was also opted for if the family had a good network, reputation, and assets to pledge. However, this option was only preferred in cases where family funds were insufficient.

A Deloitte Global survey conducted in 2018 among ~400 executives of family-owned enterprises across 24 countries found that 30 percent of respondents said that despite access to alternate capital funds, they primarily

Limited external influence also provides the family members with the independence to test the waters better before committing as a whole and the agility to change the business strategy quickly to adapt to the market.

use internal sources to support growth and expansion.[x] The ability to raise funds internally gives family-owned enterprises the authority and autonomy to drive the business their way and make strategic decisions that align with the family's goals.

2. Competitive edge of a closed network

Family and ethnic relationships play a key role in building the trust needed to manage a large and diversified business. These characteristics give family-owned enterprises the competitive advantage needed for the agreed-upon distribution of responsibilities, talent pooling, and risk sharing. Using family resources also results in a well-judged and decided allocation of functional and operational responsibilities among family members, who work together to ensure the success of their enterprise. Furthermore, a family with strong values and culture is more likely to stick together during difficult times and have the determination to succeed in business.

3. Continuity of business

With a family-run business, its continuity or expansion is rarely challenged if the founder is no longer available to run it. There is a sense of ownership and perpetual succession in place as several family members are involved. The family comes together to save the legacy if roles and responsibilities are well defined, the company's finances and operations are transparent, and there is unity among family members regarding the common vision and objectives.

Every family member strives for the smooth continuity of business, which ensures that in the absence of a key member/founder someone else is available to step in. It also helps expand the business through generations.

Case study - 1

After the sudden death of the founder of a family-owned private business, the next generation took over the reins of the business, which was successfully steered through challenging times. Meanwhile, another Indian auto conglomerate ensured the continuity of its business operations by identifying and developing potential successors for key leadership positions from the next generation.

4. Comparing Indian and global business models

Globally, family-owned enterprises have been the oldest form of entrepreneurship, where life and work are intertwined. However, diverse cultures, lifestyles, and values lead to differences in the way such enterprises have evolved and matured across geographies. The political, economic, and social environment have also significantly influenced the broader business ecosystem and how these business models have changed over time. Although there is no unique model specific to any geography and one could trace several similar characteristics, there are several aspects in which Indian models vary from global models.

The report has identified four critical characteristics of Indian family-owned enterprises that distinguish them from their global counterparts.

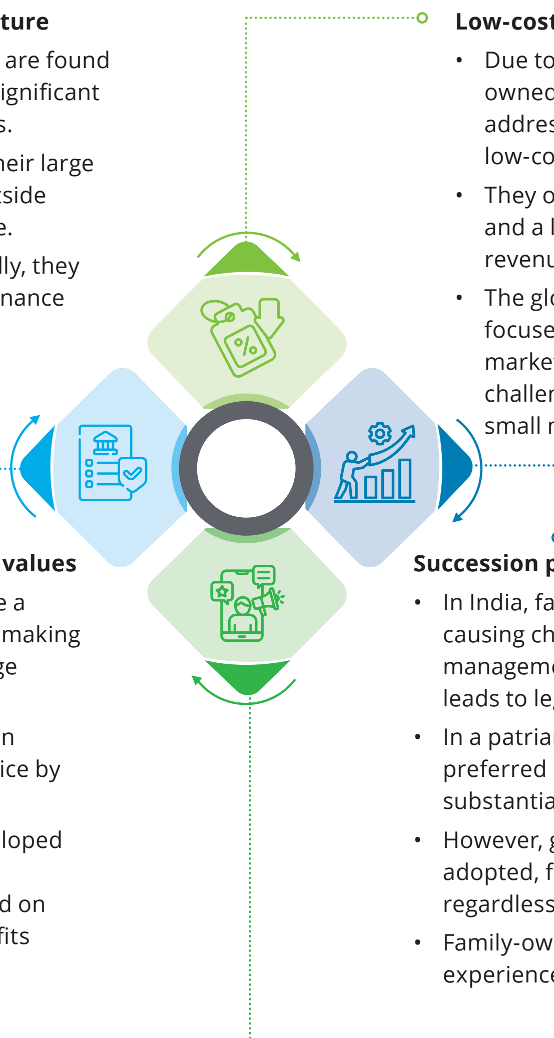
Comparing Indian and global business models

Ownership and governance structure

- Indian family-owned enterprises are found by family members who have a significant influence over strategic decisions.
- They scale domestically due to their large market, without the need for outside capital or professional assistance.
- As the enterprises expand globally, they adopt a more professional governance structure.

Low-cost frugal solutions

- Due to limited capital access, family-owned enterprises often start small to address large-scale problems by devising low-cost solutions.
- They often rely on bespoke technologies and a large customer base to generate revenues.
- The global entrepreneurship culture focuses on innovation targeting diverse markets; however, start-ups find it challenging due to the high costs and a small market share.



A strong influence of culture and values

- Family values and traditions have a significant influence on decision-making and organisational culture in large enterprises.
- Family pronouncements are often prioritised over professional advice by the board.
- Meanwhile, large entities in developed countries prioritise shareholder interests, making decisions based on financial performance that benefits shareholders.

Succession plans

- In India, family members often succeed founders, causing challenges in business continuity, talent management, and professionalisation. This often leads to legal heir splits.
- In a patriarchal society, older siblings, or sons, are preferred over daughters, although this trend is substantially changing.
- However, globally, a more open approach is being adopted, focusing on finding qualified leaders regardless of family membership.
- Family-owned enterprises now prioritise experience and qualifications for succession.

Section 3: Unique challenges

> One needs a great deal of communication among family members, a lot of give-and-take, and maybe, sometimes, outside help.
>
> - Rahul Bajaj, excerpts from an interview published in Leadership to Last.[xi]

Despite the best of intentions and integrity, the success of a family-owned enterprise is not always guaranteed. Multiple reasons, including economic stress, regulatory changes, or failure to adjust to changing market competition, contribute to the restructuring or even the downfall of a company. However, some challenges are unique to family-owned enterprises.

According to research by Deloitte, most family-owned enterprises struggle to survive beyond one generation.[xii] Only one in three such businesses makes a successful transition from one generation to the next. The report has identified four major challenges specific to family-owned enterprises. These may not be exhaustive, but the most prominent of all.

1. Disagreements among family members

Disagreements and disputes among family members over the control and management of the family's assets and businesses are extremely common in family-owned enterprises. They often result in financial losses, reputational and trust damage, hefty legal fees, and a decline in corporate growth.

1.a. Sibling rivalry for family-owned enterprises or control over enterprises often arises when brothers (or occasionally sisters) take over the family-owned enterprise from the previous generation (often after the death of the father or the grandfather) but end up in a power struggle and even legal battles. Siblings

desire greater control over decision-making, which leads to a breakdown in communication.

Contributing factors

- Competing interests and visions
- Lack of transparency and openness
- Differences in managerial approaches and company strategies
- Disagreements over competitive dynamics, commercial visions, business positioning, marketing, and strategic choices

Case study - 2

The relationship among siblings soured as a leading business empire was handed over to the next generation, leading to sibling rivalry. Differences in business strategies, management styles, competition, and differing company visions led to disagreements and conflicts across business verticals. The rivalry influenced their strategic decisions and the business's market positioning.

1. b. Disagreement and discontent across generations (between father and son or between different generations) become acute over the company's control. This could be even after a legal transfer of leadership to the son or due to the inability of the father to withdraw from his role. The younger generation may seek greater control and freedom to implement their ideas, while established structures may hinder their ability to innovate. Under certain circumstances, the tech-savvy young generation may hesitate to adopt traditional business practices that seem outdated or inefficient.

The other challenge is that, with broader exposure and education, the next generation may opt for alternate career options as their passions and goals may not align with the family-owned enterprise. The obligation to take over a business they have no interest in can lead to resentment towards the older generation. Such disconnects between older generations and younger generations can threaten the long-term survival of family-owned enterprises. The pressure to take over traditional business might force younger generations to forge their own path.

Contributing factors include differences over the following:

- Use of technologies and innovation
- Reluctance or inability of the next generation to take ownership or leadership
- Differences in passions and goals
- Autonomy to implement own ideas
- Expectation to take over the business
- Pressure to expand the scale and scope of businesses
- Approaches to run the business
- Personal and professional values arising from generational gaps
- Family dynamics causing emotional distress

Case study - 3

The founder of an Indian-branded company had an altercation with his son around family property. The company's ownership and control were the main points of contention. The next generation preferred strategic initiatives, such as brand expansion, product diversification, and market expansion. These were necessary for the company's long-term success and sustainability. The dispute caused a strained relationship that affected the family and the company's reputation. It also brought attention to more general concerns about corporate governance, family dynamics in Indian business families, and succession planning.

2. Lack of succession and separation plans

Lack of a succession plan has been a major problem for family-owned enterprises. Without a clear succession plan, family members, employees, and stakeholders are uncertain about the company's future.

Contributing factors

- Absence of a succession plan after the sudden demise of the founder
- Conflict and legal battles among heirs over corporation assets and their valuations
- Cross-holding of assets leads to difficulties in disentangling assets among heirs

Case study - 4

An Indian food company was handed over to a relative after the sudden death of the founder. It became difficult for the successor to preserve the legacy and run the business due to financial troubles and pressure from creditors.

3. Emotional engagement leads to irrational decisions

The impact of emotions on strategic decision-making in family-owned enterprises is still not clearly understood. Decisions such as selling their equities to raise more funds or streamlining businesses to cut losses are often met with emotional responses that distort judgement and make family members lose sight of a broader perspective.

Contributing factors

- Cultural values and beliefs among family members
- Emotional responses to ownership and power transfers
- Strained relationships among family members

Case study - 5

- An Indian manufacturing MNC faced emotional responses during its strategic decision-making related to entering a new segment. A few years ago, the family considered diversification. However, emotional attachments to the legacy and concerns over potential risks and competition in the new segment influenced their decision. Emotional factors played a role in the family's choice to maintain their core business identity and preserve their market position in the particular business segment.
- When an Indian family-owned MNC faced financial challenges, it decided to tap into its emotional attachment to the brand's heritage and reputation. It focused on product innovation, quality improvement, and building stronger customer relationships, resulting in the successful turnaround and growth of the company. This showed how emotions can positively influence strategic decision-making.

4. Limited means result in a limited ability to invest in innovation and growth

During the initial years, family-owned enterprises often use family savings to establish the business.

Contributing factors

- Cultural and social forces causing hesitation to rely on external resources
- Reluctance to raise external capital can also create difficulties, such as diluted ownership and control and greater investor scrutiny

Outcomes

- Data suggests that 70 percent of family-owned enterprises fail before the second generation, and ~90 percent of those who survive the second generation fail before the third generation.[xiii] There are instances of splitting the corporation into separate entities with distinct management and business focuses. The instability of business leads to a loss of trust among stakeholders. Emotional decisions delay decision-making processes and distorted judgement results in dysfunction or complete loss of business.
- Limited capital constrains their ability to invest in innovation and growth and makes it more challenging for such enterprises to sustain themselves during economic upheavals. Loss of business, the rising cost of production, tighter monetary conditions, and uncertain geopolitics impact demand for certain goods in some industries. It is difficult to continue the business due to a lack of agility or resources to tide the situation. The impact is more pronounced during extreme crises, such as the global financial crisis and the COVID-19 pandemic.

Case study - 6

A capital-intensive manufacturing business in India saw a surge in debt. In the wake of the 2008-09 economic recession, it had to sell the majority of its operations to repay its debts. In another instance, an engineering company eventually defaulted on its debts.

Section 4: Ways to mitigate risks to ensure continuity

> Many start-ups flounder and remain small, while others fold up in time. Only a few show the imagination and tenacity to break through the clutter and go the distance in terms of size, spread, and returns, and grow into institutions.
>
> - Harsh Mariwala, quoted from his book Harsh Realities.[xiv]

Most family-owned enterprises have witnessed some or all challenges mentioned in the report. It is important to quickly find amicable solutions that are agreeable to all and resolve issues. The report states four key solutions that can help such enterprises deal with challenges.

1. Creating a "family constitution" or council

A family constitution is a document that serves as a mechanism and guidance for current and future generations to enforce the system of family governance.[xvi] Also known as the family charter or the shareholder's agreement, it reflects both the family and business values that help run a company fairly and ethically because management and leadership have to be earned and not inherited.

Deloitte's 2022 India Business Survey pointed to the importance of a family constitution. Entry and exit clauses and conflict resolution processes were considered to be of importance by more than 50 percent of the surveyed respondents.

> The aim of the family constitution is to separate business and family. It defines the family's business policies and establishes the ground rules for running the business. It also ensures good family governance.

Case study - 7

A leading Indian consumer product family-owned enterprise created a family constitution, detailed with rules and regulations about the number of family members who should be on the board, the voting rights of members, and the succession plan. It has helped in outlining clear roles and responsibilities for each family member.

Learnings

01 Establish clear policies and processes that can eliminate conflicts of interest.

02 Provide guiding principles for current and future generations.

03 Set expectations and boundaries for family and business roles to avoid conflicts.

04 Develop a transparent decision-making process.

05 Communicate regularly with various shareholders.

06 Create a well-defined succession plan.

2. Planning an early succession

Engaging in early succession planning is often seen as the company's strength. Clear demarcation of roles and responsibilities, separate jurisdiction of power for the next generation, and minimal interference policies are critical to maintaining a transparent decision-making process and offering a clear vision to stakeholders.

Early planning also creates a culture of accountability and helps companies to become agile and responsive to changing business needs.

Case study - 8

The chairman and founder of an Indian infrastructure conglomerate were firm about developing a detailed succession plan to settle any business differences within the family and separate leadership from ownership. By identifying and developing potential successors for key leadership positions, they split the business accordingly.

Learnings

01 Create a detailed and well-thought-out succession plan.

02 Be prepared for tough decisions and alternate scenarios.

03 Have a clear apportionment of assets and ownership among heirs.

3. Building a leadership development programme for next-generation

A staged approach to shaping the careers of future incumbents is becoming a notable feature in a few family-owned enterprises to ensure a smoother journey from the shop floor to management and thereafter to leadership. This demonstrates the organisation's commitment to developing talent and encouraging internal growth and advancement.

Confidants of the early generation play a crucial role as mentors to the next generation by providing guidance, sharing knowledge, and imparting valuable experience. By implementing a career development process, early-generation leaders ensure that future leaders are aware of the organisation's requirements before taking up the helm of the company. In Deloitte's survey (in 2022), over two-thirds of respondents revealed that their organisation has a formal leadership development programme for the next generation.

Case study - 9

A leading Indian conglomerate has adopted an apprentice system with a staged progression from entry level to leadership to develop and nurture talent within the organisation. The system is known for its effectiveness in providing practical training and hands-on experience to individuals. The next-generation members often receive mentorship and guidance from senior family members or experienced professionals. This strategy has been effective in developing future leaders from within the organisation.

Learnings

- 01 Create training and growth opportunities for family members involved in businesses.
- 02 Have programmes to engage future leaders in roles at the factory or in managerial positions.
- 03 Allow the next generation to experience and learn from the shop floor before commencing on to the management journey.
- 04 Encourage family members to work outside the country or with other companies for better exposure and diversified experience.
- 05 Allow the older generation to share experiences with the next generation leaders in addition to teaching them business acumen.

4. Exploring external appointments and hiring for holistic and fresh perspectives

A family-owned enterprise often lacks external and holistic perspectives due to the significant presence of family members in key decision-making. To get an educated and global viewpoint, these enterprises can consider appointing Non-Executive Directors (NEDs) and professionals.

According to a Deloitte India Business Survey conducted in 2022, one-fifth of respondents said they hired advisors who supported board members, consisting of non-family members. These advisors helped in promoting good corporate governance and succession planning, mentoring the next generation, resolving conflicts and unexpected family issues, and making strategic decisions.

> Independence from day-to-day operations allows NEDs to challenge management when necessary and provide a voice for these stakeholders, ensuring their concerns are addressed in critical decision-making.

Case study - 10

A large Indian conglomerate appointed NEDs at the senior level to provide guidance and oversight without being involved in the company's daily operations. They bring vast experience and knowledge of industries to the boardroom. These individuals also provide independent, unbiased perspectives, guide the company’s long-term strategy, and ensure effective management oversight. In another instance, a leading Indian pharmaceutical company had recruited professional non-family members to run the company until the family was able to take over.

Learnings

- 01 Choose NEDs for their expertise, experience, and diverse backgrounds.
- 02 Encourage them to contribute to decision-making and corporate governance.
- 03 Bring fresh and unbiased perspectives by recruiting non-family members as advisors and consultants.
- 04 Hire regional talent that is familiar with local market conditions, regulatory frameworks, cultural factors, and customer preferences.

Section 5: Two redefining moments for the future of family-owned enterprises

"Indian family-owned enterprises have traditionally been family-centric, and until very recently, these enterprises have remained within the realms of their means and resources. These are rapidly changing, driven by technological transformation and the globalisation of mindsets."

1. Collaborations with start-ups in the journey

Technology is changing the business landscape. To stay competitive and relevant in a rapidly changing business environment, these enterprises must invest in artificial intelligence, analytics, and e-commerce to improve operations and the customer experience. Digitisation is becoming key for Indian family-owned enterprises.

How next-generation entrepreneurs are working with start-ups

The next generation of entrepreneurs is well-networked, tech-savvy, and driven by aspirations that know no limits. They are willing to experiment and incorporate best practices, technology, and systems. They are exploring new sectors and industries to invest in and expanding their existing businesses into new areas. This is happening not only at the enterprise levels but at family offices that often complement their primary enterprise. This is where their collaboration with start-ups to explore new opportunities and use their innovative ideas and technologies is making a significant difference.

Going forward, such a collaboration will be a win-win for both family-owned enterprises and start-ups. Family-owned enterprises will receive help from start-ups, as the latter can help the former explore new opportunities and markets

and provide them innovative business models. For instance, new-generation start-ups will also aid in investing in digital platforms, artificial intelligence, and data analytics to enhance the efficiency and effectiveness of overall operations and processes and streamline the supply chain. These industries are growing in India and will offer opportunities for innovation and expansion.

Meanwhile, new-generation leaders of family-owned enterprises are offering start-ups newer opportunities to grow by providing them access to finance, networks, and expertise in family offices. The ability of next-gen leaders to take greater risks in emerging sectors, such as healthcare, renewable energy, fintech, and clean technology projects, will help start-ups drive innovation and complement the family enterprise.

Case study - 11

A family-owned consumer enterprise struggled with changing customer expectations and preferences as its cultures and values did not align with the fast-paced, high-risk environment of start-ups. The company started providing hybrid offerings and worked with small tech start-ups to expand beyond brick-and-mortar businesses and go online. This helped the business survive the COVID-19 pandemic and grow and diversify beyond geography.

Learnings

01 Diversify offerings and explore new markets.

02 Use open-network digital commerce.

03 Use technologies such as 5G, digital payments, and metaverse to create new business models and provide immersive experiences.

04 Devise maturity frameworks for collaboration, co-innovation, conceptualisation, and optimisation.

05 Balance corporate agility with process standardisation.

06 Collaborate with start-ups to stay relevant.

2. Entry of women executives

Studies have shown that women in leadership positions are fostering innovation and diversification in the workplace, leading to increased work satisfaction and reduced turnover rates.[xvi] Their holistic approach to work and life often leads to the implementation of corporate practices and regulations, promoting a healthier work-life balance for the entire organisation and getting them imbibed in the corporate culture as well.

In India, the proportion of women CEOs in family-owned enterprises is extremely low, despite a rising trend of women's engagement in various roles within these organisations. According to a Deloitte study published in December 2021, there were only a handful of women who were appointed CEOs between 2005 and 2020.[xvii] CEO demographics suggested a strong preference for experienced executives and skewed gender representation.

To increase the participation of women in leadership positions, the Indian government announced the Hindu Succession (Amendment) Act of 2005, which was aimed at gender equality. Under the Act, daughters will have the same rights to ancestral property as sons. In other words, daughters, like sons, can own a stake in the family firm and participate in its management and decision-making.

In a subsequent legal mandate, the Act compels family-owned enterprises to increase the number of women on their boards compared with non-family-owned enterprises. The amendment also has ramifications for succession planning in family-owned enterprises and has played a key role in enhancing women's rights in Hindu law, particularly in the areas of property and inheritance. Consequently, a sizeable proportion of Indian family-owned enterprises have women actively managing the business.

Additionally, the Companies Act 2013 requires publicly traded companies and other public companies with a paid-up capital of roughly US$12 million or more or a turnover of ~US$36 million or more to have at least one woman director on their board. Women directors can bring different experiences and viewpoints to the table, leading to more well-rounded decision-making, superior corporate governance practices, transparency, accountability, and risk management. A woman director can project a more progressive and socially responsible image for family-owned enterprises, potentially attracting new talent and investors and even inspiring other women within the family to proactively participate in the business.

Learnings

01 Modify succession plans to meet daughters' equal rights in family-owned enterprises and property.

02 Create programmes that encourage and empower women to move up the ladder of leadership.

03 Address problems such as gender biases, cultural norms, and access to resources and networks.

04 Look for qualified women with relevant experience who align well with the company's needs and future goals, as well as who can complement the existing board's skillset.

05 Provide woman directors with the necessary support and mentorship to integrate smoothly into the board and contribute effectively.

06 Foster open communication between the woman director and the family to ensure their voice is heard and valued.

Section 6: Conclusion: Securing the future amid the changing landscape

The world is entering a new era of unprecedented challenges. While some inherent characteristics of family-owned enterprises will help them succeed in this new era, other traits such as their contention to have ownership and control, prioritisation of family values and emotions, and their rigidity in transitioning and unlearning could impact their growth. Three factors are expected to influence the way newer generations run an enterprise: government initiatives, access to capital, and economic and social changes.

Three catalysts for the changing business dynamics

Government initiatives

- The government has proactively encouraged entrepreneurship in India to empower citizens from all segments of society.
- These programmes are aimed at creating a conducive environment for entrepreneurship, collaboration, co-creation and co-innovation, and skill development.
- These have also facilitated finance, technical, HR, and other resource support that is changing business models.

Access to capital

- With globalisation and increased liquidity in the global market, there is a rising interest among global investors to invest in India.
- Access to foreign capital is getting relatively easier than it used to be a decade ago, even for first-time entrepreneurs.
- This has provided Indian businesses with access to a larger pool available for investment.

Economic and social changes

- Rising disposable income in India and the influence of the West have resulted in higher consumerism and a decline in family savings.
- The next generation takes over a relatively established firm; therefore, their goals and intent are often different, and the strategies adopted also vary from those of their predecessors.
- Joint families are gradually disappearing; the rise of nuclear families has led to changes in ownership structures as many may not be actively involved in the day-to-day operations.
- Even succession planning for family-owned enterprises is becoming more complex.

Adapting to the changing dynamics while preserving family values and legacy will likely become a challenge as newer generations become more geographically dispersed, resource-rich, and incentivised. These could result in conflicts, and any escalations could result in a split in businesses.

> The economic and social shifts in India are changing the age-old dynamics that characterise family-owned enterprises.

If "the family is seen as the unit of India's social system instead of an individual", the dominance of family-owned enterprises will continue.[xviii] The following recommendations will determine their success in the near future:

- **Innovation and digitisation:** The benefits of digital technologies are too hard to rebuff for any enterprise. This will require enterprises to invest in building capacity and supporting infrastructure, and collaborate with start-ups and universities. The onus will be on the owners and executives to proactively build a detailed digital roadmap. At the same time, securing the digital infrastructure, operations, and privacy from cybersecurity risks will have to be prioritised.
- **Agility in mindset:** Family-owned enterprises will have to adapt to the fast-changing business and technology landscape by being agile to such changes to not just survive but excel in competition. This will require family owners to adopt outside-in and inside-out thinking to adapt to external and internal change.[xix] Businesses will need to form a collaborative team, even if it requires involving outsiders to make strategic decisions for the business.
- **Promote sustainability:** To strengthen their legacy, they must drive social change and accelerate efforts to find sustainable solutions to ESG challenges. This will create a lasting impact on their brands as well as improve resilience to the changing business landscape. This will require owners and leaders (both from within the family and from outside) to keep the family members united on such goals even during adversity and through challenges.
- **Adapt to tap growth opportunities:** Family-owned enterprises will have to adapt to several changes that may be required in their businesses to meet their growth objectives. This could range from key decision-making systems to day-to-day operational matters. The introduction of financial investors as stakeholders as well as to the board of companies may have to be accepted with more positivity.

Could businesses in India continue to be the domain of families? That is hard to tell. As of today, family-owned enterprises dominate India's businesses. In the future, these enterprises will need to shift the cultural and digital mindset to become an integral part of India's ambition of becoming the world's third-largest economy by 2027–2028.

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Connect with us

K R Sekar
Partner, Leader - Deloitte Private
krsekar@deloitte.com

Anil Talreja
Partner, Deloitte India
atalreja@deloitte.com

Parthiv Kamdar
Partner, Deloitte India
pkamdar@deloitte.com

Contributors

Dr. Rumki Majumdar
Meryl Fernandes
Dr. Moumita Paul

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Rahul Dhuria
Swarup Sonar

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