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Private

Next generation navigators
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Content

Foreword

Mark Yarnell, a best-selling author says, “A leader is anyone who demonstrates what’s possible,” and, in today’s world, the possibilities are growing every minute. With that context, it gives me the perfect opportunity to present the next edition of our Deloitte Private newsletter which is focussed on young leaders and entrepreneurs.

We can safely put behind us the age where a leader’s entry qualification depended on the years of experience or the pedigree behind his/her name. Over the past years, we can pointedly call out examples of leadership skills exhibited by some of the young Indian leaders and entrepreneurs. What they lack in terms of experience, they seem to make up with an innovative edge, empathy, passion, and drive. Nearly 18 of the Forbes “30 under 30” list this year are innovators and young Turks who are reshaping the business world as we see it.

I personally could not be prouder of the talent we possess as a country. Our new age leaders are constantly redefining the application of technology, creating new metrics for success or taking over the reigns of conglomerates.

Apart from the obvious, the new generation of leaders are also passionate about leveraging technology for sustainability and climate change, which is the need of the hour to protect our planet. Vinisha Umashankar, a 15-year-old girl took centre stage at COP26 as a finalist for the British royal’s Earthshot Prize, an award for green innovation. Her invention - a solar-powered iron (green alternative to the charcoal-powered clothes press) made her the youngest finalist in the competition. Every other day we hear of teenagers who are building solutions which will most likely change the world someday. These are the youngsters of today, who I am sure will be the climate conscious innovators and leaders of tomorrow.

On the other side, those who are successors of a legacy to take over a large organization--known and perceived a certain way for decades--have very big shoes to fill. As they step into their new role, brimming with ideas, they have the responsibility to bring change in the organisation without compromising on the values it has stood for over the years. We have seen many examples of such leaders who have been champions of change, and some who have failed as well.

In this edition of our newsletter, you will hear from successful young leaders on how their organisations and the business environment have evolved especially during the pandemic, how they have avoided some landmines and the way ahead. We found it truly inspiring to engage in conversation with them.

We hope you will find it just as intriguing. Read on to know more.

Thank you!

Rohit Mahajan

Interview with Shefali Munjal

Executive Director, Hero Corporate Service Limited

1. The pandemic has changed the way business is conducted now. How has it changed your organisation? What are some of the key decisions that you took which helped your organisation to sail through this tough time?

I have always believed that while adversity throws bricks at us, experience teaches us to use the same bricks to build walls. During the lockdown and the different waves of the pandemic, we empowered people and made them more responsible and accountable as they worked from home.

Since the pandemic was a Black Swan event outside the control of our people, we protected their jobs but made them more accountable through technology; we gave them the best possible resources to work collaboratively in remote mode.

We lost revenues in the short term but found a way to mitigate them as we improved productivity and rationalised costs across the board. We also worked hard to make our offices safe when they reopened, so we could keep cases to the minimum. We kept working capital requirements under a leash, protected salaries that required safeguarding and encouraged seniors to take a cut which they willingly did.

2. How do you visualise India in the year 2030?

There are essentially two types of Indias; one that exists in the 20th century, and the other in the 21st. By 2030, a significantly large group of people would have left the 20th century to join the 21st This transformation would be driven by the ongoing digital makeover, financial inclusion, ramp up in the speed of transportation, and education.

With improving logistics and rising electric mobility, transaction costs would have come down substantially by 2030, creating more inclusive markets. This in turn would make India more globally competitive as a region. As opportunities open in India's cities, more youngsters will be involved in the gig economy; millions of gig force joiners will require not just literacy but also vocational training. Thus, many more poor families will begin investing in their children, hopefully with support from government and private enterprise.

I also believe that healthcare delivery in 2030 will be unrecognisable, thanks to a rapid scale up of infrastructure and manpower; the pandemic was a rude wakeup call and I think that by the end of this decade, we will have a healthcare system of a middle-income country.

3. What are the opportunities and challenges that business like yours will face going forward?

I believe the second order effects of the pandemic will be shaken off over the next 12 months. Thereafter, our businesses are priming for a phase of sustained growth.

There will be significant demand for affordable and middle-class housing in the coming years, and Hero Homes is prepping for this. Our steel business is readying for emerging segments of demand as infrastructure grows and as lifestyles evolve across India.

We see insurance as another huge opportunity. For several years, insurance firms and distributors rarely bothered to approach people living across the heartland and focussed mainly on large cities. As a result, most people living in India's tier 2 and tier 3 towns and cities today are still unaware of how and what insurance products they might require.

By combining technology with reach and access, our insurance broking firm is now seeking out new and untapped and underserved customers who have mostly flown under the radar of insurance firms and distributors.

To be sure, our businesses will also encounter challenges. As opportunities emerge, there will be fewer entry barriers in the sectors we operate; so, we will have to create differentiators in the way we manage our costs, drive productivity, and upskill our people.

4. Technology and a changing business environment have impacted the business and pushed companies to adapt. How have you been able to drive digitization in your organisation and what has been the impact?

We have used technology to increase our engagements and conversations with customers, developed a digital sales engine across our businesses, and found imaginative ways to serve existing customers and bring in new customers.

For example, in the steel business, we have tapped new segments of demand in the railways sector. In our training business during the pandemic, we upskilled quickly so that trainers used to a physical setting could thrive in a digital setting. We used a similar upskilling approach for the sales team involved in our housing business.

We have overhauled our insurance distribution business, fast forwarded our insurance broking plans, and entered new product lines such as reinsurance, employee benefits and treaties, bringing in a young leadership team with the necessary bandwidth for selling insurance in the 21st century.

We are using a "phygital" model that marries technology with human connection. Field partners are being ramped up across 2700 peri urban and rural locations. A strong tech backbone is supporting this rollout at the backend which enables field representatives to interact and transact seamlessly and quickly.

The 2020 was always going to be about business transformation. The pandemic has simply forced companies like ours to pivot and bring this transformation forward.

5. As part of a successful group, how has your journey been as a young entrepreneur?

Right after completing my education, I joined the family business. I spent some time helping the accounts team and also getting an overview of the different businesses. In the early 2000s, many bricks and mortar businesses were looking to modernise, and I convinced my father that Munjal eSystems, a greenfield ERP implementation business-would be a good idea. This business did extremely well for a few years, but then the market space changed.

The stint nevertheless gave my father the confidence that I could manage our fledgling insurance distribution business. Insurance policies in those days were sold in a cumbersome and time-consuming manner, requiring huge amounts of paperwork. My experience of working on tech integration projects came in handy and we pioneered paperless policies in India. Thanks to the digital backbone that we developed, policies were issued in minutes, and not hours and days; this helped us rapidly scale operations, and within a decade, we were issuing 10 million insurance policies a year.

I have enjoyed a few highs in my journey as an entrepreneur over the past decade and a half, but there has also been a period of relearning, unlearning, and course-correction. I have also learnt that confidence and humility are two sides of the same coin.

6. What are some of the challenges you faced while filling in the shoes of the earlier generations?

People expected me to act, behave and respond the way my grandfather did, or the way my father did, without understanding that I was a different person. My late grandfather was, and my father is, outgoing. They also grew up and did business in different eras. In contrast, I am a private person who is running businesses in a distinctly different era on both counts, I faced the challenge of managing expectations and perceptions. Yet, I see this challenge as an opportunity to evolve.

Hero has always been about people and relationships; this continues to be our biggest strength even today. Yet sometimes, the boundaries between legacy relationships and the realities of running a modern business must be clearly appreciated; this wasn't always easy for the older generation.

With time, however, I have developed my own methods of managing a business, and so far, it has worked well.

7. What are some of the learnings you would want to share with other entrepreneurs through your journey as a business leader?

First and foremost, I have realised that what worked in the previous two decades and earlier, might not work in this decade or the next.

A contemporary business is about agility, innovation, and digitalisation. Time-tested business models, economies of scale, distribution strength, and brand salience do still work, but not as well as earlier because digital technology has changed the dynamics of the market.

In the next few years, we will see more and more family-owned businesses lose market share due to disruption-especially from startups. As business owners we can either become part of the disruption or find ways of countering it. Also, while some of us may be prepared to ride the disruption as leaders, it is possible that our teams might not. So fresh talent must come in. If this overturns the applecart, so be it.

At the same time, the future is notoriously difficult to predict - we can't say with certainty what will happen in the next three years let alone ten. So, for an entrepreneur, visualising alternative futures is very important. Serena Williams once said that she didn't just have a Plan B, but also a Plan C and Plan D!

8. You have been involved in developing futuristic and sustainable businesses. How can the business support society in the areas of mentoring younger entrepreneurs, society and what are your words of wisdom to them?

If an entrepreneur seeks to serve society, support a cause or mentor aspiring entrepreneurs, it must be done with a strong sense of conviction and purpose, along with passion. He or she must take out time for community or industry-related involvement, on a regular basis, and keep persisting, even if there is no glory or if outcomes take more time than usual. Second, every inheritor of an enterprise must know that wealth cannot be taken for granted. A lot of hard work goes into preserving and growing wealth so it must be nurtured and whenever possible andshared. My father always told me that people like us who have been fortunate to have been born into wealth should see ourselves not as owners of wealth, but as its trustees. This places on us an even greater responsibility to create jobs and livelihoods.

Interview with Varun Thapar

Vice Chairman and Executive Director, KCT Group

1. **What are some of the trends you are seeing in your industry and its impact on the overall economy?**

   We are a diversified business group with a presence in three varied sectors—Coal Logistics (KCT Coal Sales Ltd.), Commercial Real Estate (Indian City Properties Ltd.), and Aquaculture (The Waterbase Ltd.).

   So for the sake of brevity, I will restrict my response to what is presently happening with the coal industry, since this is on the top of everyone's mind with the news that we have been seeing about coal shortages. There are several supply side factors such as reduced coal imports, heavy monsoon affecting domestic coal production, slow development of private mines, etc., which have led to this situation. But, in my view the issue is not so much about a shortage of coal per se, rather it is more closely related with demand side factors, principally the ongoing financial stress of the power companies coupled with a sudden and unprecedented surge in the demand for power, which has caught both the coal supplier and coal consumer off-guard.

The key takeaway from this episode is that despite the advent of renewables, as a country we continue to be significantly dependent on coal as our primary energy source. It represents around 52 percent of our installed power capacity, and around 68 percent of our generation capacity. While the thrust of domestic and international policy – the recently concluded G20 summit in Rome, providing yet another instance – is to reduce dependence on coal as a fuel source, and aside from pipeline thermal capacity, policy direction shows that incremental growth in domestic power generation will come from renewables and not thermal, the reality is that coal will continue to be the baseload power source of India for the foreseeable future.

Hence, our focus has to shift on how to ensure that coal is used in the most efficient manner by implementing best practices and technologies in mining, transportation and usage of coal. That is where a company like KCT Coal Sales steps in. As the leading coal logistics and supply chain management company of India, we will stay focussed on driving efficient operations and adding value to the coal consuming industries.

2. Various industries have been witnessing changes, including technology related like robotics, automation, AI, etc. Please share your experience in deployment of digital technologies and their impact on the work, efficiency, and workforce.

3. Also, share some of your learnings from the deployment of digital within your company.

We are living in an age when the speed and magnitude of disruption caused by new technologies is consistently increasing. This is a reality that cuts across different sectors and industry verticals, though the exact nature of it may differ. I will address what we are doing as a group at three different levels.

Firstly, at the operational level, we are on the lookout for new technologies or methods of automation that we can implement to improve internal efficiency as well as service delivery to the customer. Taking Indian City Properties Ltd.--our commercial real estate business as a case study, we are exploring implementation of IoT devices and integrating this with our BMS systems with the intent of driving cost control, generating better quality data, thereby improving the quality of building our operations. Another example in the same business vertical is an ongoing implementation of customer-focussed mobile-friendly application that enables us to better capture and improve responsiveness to our customers' requirements.

Secondly, at a group level, we have tried to identify investment opportunities into disruptive technologies or to find collaboration opportunities with companies who are driving these changes within our sectors and be the leaders of the disruption ourselves. For example, in the present scenario where the rapid growth and advancement of renewable energy presents the biggest disruption to conventional thermal energy, our group had made investments into this space by setting up renewable generation assets. We subsequently exited these investments, but we are presently considering other such investments into technologies that can have a significant impact on our current business portfolio. Other examples include the various collaborations we are running at The Waterbase Ltd. with domestic and international companies that are at the forefront of innovation in terms of shrimp feed and farming practices that propose to revolutionise the traditional methods of shrimp farming in India.

Thirdly, stepping outside the group businesses and at a more personal level, I manage the Family Office. Through this vehicle, we have invested in companies that are engaged both in developing the most cutting-edge technologies and in applying these technologies in innovative ways. This includes investments in startups and new generation companies that are engaged in robotics, blockchain, 3-D printing, machine learning, and AI-based applications. One of the most exciting investments we have done is in a company that promises to send low-cost 3-D printed rockets into space!

4. **In your view, how have Indian companies leveraged the opportunities that emerged from changes in the last two years? How has it impacted your organisation and what has been your experience?**

There has been tremendous learning from the past two years of the pandemic. One pivotal lesson is the importance of managing and maintaining liquidity in a business. As a group, we are financially conservative and believe in maintaining a healthy level of liquidity in all our businesses and minimising debt. I am proud to say that we have no long-term borrowings in any of our group companies. I believe this has held us in good stead to withstand the shock presented by the black swan event of the pandemic. Secondly, we have learnt to become more cost conscious across the board and reduce elements of wastage that were never attended to previously. Thirdly, this situation has taught us to be more careful and selective in terms of both the vendors and customers that we choose to work with, as we have seen many companies default on delivery of goods/service on the one hand, and on payment commitments on the other. At last, we have really come to understand and gain from new methods of working and been able to unlock value from the new digital communication tools that came ubiquitous over the past one and a half years. The old adage that necessity is the mother of all invention really does ring true in this instance as we have seen all employees across locations, functions and generations adapt to new technologies with the greatest comfort.

5. **You are handling multiple businesses which are diverse and unique in their own accord, how do you manage to look at different parameters of each business and balance your decisions? Please share some examples of your experience on running these diverse businesses.**

The biggest challenge in managing a multi-business portfolio is managing time and assigning priority because there are always multiple competing demands on time at any given point. Time management skill is the single most valuable lesson I have learnt and abide by. I have a pre-determined annual plan that defines the periodicity of review of each function within a business vertical, MIS that pertains to that particular review, and list of participants including deciding on a meeting leader. We also make it a point to define the agenda and the intended outcomes of a particular meeting well in advance of the meeting. There are a lot of thoughts and suggestions I have on calendar management and how to optimise time, but the essence of it is to ensure an alignment between all stakeholders, and to ensure that both the company management's time and my time are utilized in the most effective manner.

6. **In the new generation of start-ups and more so in technology segment where do you see yourselves and the growth of family run businesses?**

We are present in brick-and-mortar industries where performance and valuation metrics are defined in the traditional way, so it is fascinating for me to witness the growth of what I like to call the new economy, where traditional metrics of evaluating business performance are turned upside-down, and entirely new perspectives on busines have emerged. Fundamentally, what has changed is that capital is no longer a constraint, it is a free-flowing commodity that easily moves across international borders. So, when you remove capital constraint from business, myriad new possibilities emerge, and the focus of both the business and the entrepreneur totally changes. In my capacity of managing the Family Office, I have been actively participating in this new economy as an investor and have had the privilege of interacting with many of the key players of this new economy, be it self-made first-generation entrepreneurs or even other investors and thought leaders. It goes without saying that there is a tremendous amount of learning to be derived from these interactions that can be applied in our existing portfolio of businesses.

7. **Young generation entrepreneurs like yours often come with new ideas and ways of doing business. What is your one mantra that you live by and base your decisions on?**

Different situations call for different responses, and as an entrepreneur you have to be able to quickly adapt yourself to different scenarios. I do not believe that there is any one mantra that guides my decision making, but there are a few principles that guide my thought process in a more philosophical sense. Firstly, I believe that there must be a purpose to doing business, and the purpose cannot be merely the attainment of money, wealth or fame. We have to consider the impact we have on the world and the legacy we will leave behind for future generations. Secondly, I believe that each individual should do what they enjoy because then they will always excel at it. Inheritance of a business is not sufficient cause of running a business. Unless you love what you do, you will not be able to invest yourself fully in it, and the outcomes will always be suboptimal. Thirdly, while it is important to work hard and give work your 100 percent, I believe that it is equally important to lead a healthy and well-rounded life, and to get eight hours of restful sleep at night. If your professional life does not allow for this, then you should reassess what you are doing and consider reconfiguring some aspect of your work methods.

8. **In your view, how important is the development of business skills before leading a business like yours?**

My personal view is that it is extremely important. The dynamics of business have changed in the twenty first century, and it is imperative for today’s entrepreneurs to develop specific skills and competencies to manage and run a business enterprise effectively. I will also add that it is important for entrepreneurs to understand the risk universe, the regulatory landscape and the larger economic trends of the sector in which they are operating. Lastly, I will add that it is important for any entrepreneur to be able to honestly identify their own strengths and weaknesses, so that they can structure their own working role within their business to bring out the former and mitigate for the latter.

Interview with Harish Lakshman

Vice Chairman, Rane Group

1. **The auto business was affected in the last 18 months, so were the auto components' manufacturers. What were some of the challenges and opportunities you faced during the last two years owing to the external pressures? With the growing focus on EVs in India, what is your view of the segment and what are your plans as an organisation in the space?**

   The disruption happening in automotive industry is once in a hundred-year type of disruption. Since the development of Internal Combustion (IC) engines 130 years ago, the disruption electric engines (EE) have brought, is massive. There are lot of other disruptions taking place currently in automotive segment and it will significantly impact not only the Original Equipment Manufacturers (OEMs) but also the auto components companies. We all have to adapt ourselves to these changes. At Rane, we are looking and analysing at the market like we have never done earlier. Earlier, we used to look at the vehicle forecast and incremental improvement in technology, but now we have a dedicated team looking at disruptive technologies, understanding them, identifying areas where we play -

how do we play and how do we get access to these changing technologies. We have not made any moves as yet because we are waiting to see how if unfolds. Also, at Rane group, our IC portfolio is only 9 percent of the total, and the rest 90 percent consists of content which is there even in electric engines like seatbelts, steering system, and airbags, so, for us there is not much concern with the change in electric engines. Companies which have 40 percent to 50 percent of their portfolio dependent on IC engines, will be more concerned. At Rane, 10 percent of our portfolio is at risk but we see a plenty of opportunities also with the change.

Also, none of us has ever seen something like COVID-19 ever before. It has hit us twice and if third wave ever happens, that would impact the economy and businesses significantly. At Rane, COVID-19 has significantly impacted the way operations are run. It has changed our operations model in terms of planning our inventory, running of our plants, and people related matters. Work from home is just one part of it but more importantly, inventory planning, customer management and support are some of the things which have evolved significantly during this time to manage the volatility.

2. **Even during the tough times, you have been very optimistic. What are some of the reasons for your optimism and any advice for the new budding entrepreneurs?**
Automotive industry has had six quarters of negative growth even before COVID-19. It has been a tough time for automotive industry with various disruptions. But there are two big reasons for my optimism.

First, I believe strongly in the growth story of India. When we talk to some of our foreign partners or customers, there is some sense of frustration because the India story has been talked about a lot but nothing much has happened. For someone like me living here in India, I understand why it's not happening that fast. The complexities and challenges here are huge and we understand it. I believe in the potential of our country's growth. Automotive industry will be the fastest growing in India in the next decade or so. The vehicle penetration is increasing, infrastructure is improving, wealth creation is happening, therefore, in my view we are in one of the fastest growing market in the world, so we will grow.

Second, global exports have plenty of opportunity. In the last 10 years, the quality of Indian products is at par with the products from Japan and Germany. The customers have realised that our quality is good, therefore, exports from India are constantly increasing. Given the last two years of trade war with China, not only by the US but also the EU, a clear China +1 strategy is going on in western world. Therefore, Indian auto industry is very well positioned in the world.

Strong domestic market and the ability to grow our international business faster than we have in last decade are the two major reasons for my optimism.

3. **Rane group invested in Telematics4U which focusses on customised analytics-rich telematics solutions for transportation and asset tracking needs in India, Africa, South Asia and West Asia. In your view, what are the changes digital technology has brought to the industry and what are some of the trends you foresee going forward?**
We see opportunities in telematics space which is why we made this acquisition. It is to leverage internet and GPS technologies to help provide solutions to the customers. It is a service busines, different from our products business. This is not to the OEM market like Maruti, GM, Ford, Toyota, Tata, etc. Telematics is focussed on selling to logistics players, 3PL players, bus operators, etc. We are providing solutions after the vehicle is sold. It is different from digital transformation in vehicles. There are lot of opportunities in the space, e.g., we are looking at driver monitoring solution systems to one of the STUs in Karnataka for the monitoring of bus drivers. There are ample of opportunities in leveraging these technologies for efficiency and safety. That's the logic behind our acquisition.

4. **Yours is a century old business with presence across the country and some parts outside India. As an organisation, how have you managed to stay relevant and**

focused while continuing to grow? If you could talk through aspects like managing the organisation culture, succession of the right leaders down the line.

The three factors which have been instrumental in bringing Rane to where it is and will decide is course in the future are - Ethic, integrity, and focusing on customers' expectations. One is our founding principle - ethics and integrity in all our actions has been constant and has not changed in last 100 years. Every new employee has been given enough induction about ethics and integrity in all our actions.

A significant shift that has happened in last 20 years in our Total Quality Management (TQM) journey. We were one of the early adopters and we won prizes, etc. We took principles from Toyota in early 80s which involve Total Employee Involvement (TEI) and we call it is one of the key players. There are different ways we involve and engage our employees and that philosophy is deeply engrained in our factories as well. We have daily routine meetings (DRM) where we have meetings on shop floors and all departments meet up physically and discuss what's working and what's not working from day-to-day perspective. That ensures openness, transparency, and allows us to spot the scope of failures. The focus of this forum is on improvement, sharing, and transparency. That is something we continue to build on.

The third is focussing and delivering customers' expectations, especially in auto industry where 7 to 8 large customers account for 90 percent of the revenue, it is imperative to understand the requirements of the customers proactively and do what it takes for them to be satisfied. We are constantly working to imbibe the culture to understand the customer and do what it takes. Another principle we ingrained into business is to try to always stretch beyond your role to get the job done.

I also believe we are well empowered for a promoter driven business. We started professionalising our business in mid 1990s before which we were family run. Today we are one of the family owned and managed, but professionally run organisations. This process involved bringing in systems and empowering our people with accountability. We have built all this under TQM and we take pride in this approach.

5. **What are the strategies and steps you have taken to bring in new skills?**

   There was a shift in 1960s where we moved from trading to auto component manufacturing. After that we kept enhancing our product portfolios including steering systems, hydraulic steering, seatbelts, airbags, and diecasting. While product technology is new to us, we have got incremental capabilities. We have our Strategic Business Planning (SBP) in place. We review our five-year plan and every company has its vision, which becomes the foundation of our goals and strategies deployed to achieve those goals. Once we set our goals and vision, we identify the capabilities that we need to achieve our goals. Then we identify the gap between the existing competencies and work towards addressing those systematically. This entails training our employees, acquiring technologies, making investments in certain technologies and talent.

6. **How are you seeing the role of promoters changing in the last decade? What are some of the key lessons that you would like to share?**

   In my view, there is no standard formula for success. The owner-manager combination depends on the company and constituents of the family itself. There are various factors that would define what is the right combination. I believe that a few things are very important--corporate governance needs to be at 120 percent above the laws and regulations as well. There is so much at stake.

   There needs to be a clear line between ownership and management. At Rane, we have put systems and processes in place 25 years ago so that there is a clear line between the benefits and compensation (B&C) an owner derives from the company and what are the benefits a manager has. Being a manager is market dependent. The compensation, benefits, roles and responsibilities for owners and managers need to be clearly defined. Transparency is also important, not just for the external world but also for your company including your employees as well.

The future of family-owned business will be interesting to watch. There are lot big corporations in the US, the UK, and Europe which are large family owned, e.g., BMW, but there is no one from the family involved in the operations. How would it play for India will be interesting - as culturally it is different from western world?

7. We have seen enough instances of large market leading institutions losing plot and becoming non-existent. How do you make sure that Rane Group stays relevant now and in future?

As the owners and managers of the business, we are always concerned about staying relevant, especially given the disruptions. Ten years ago, if you had asked me how worried you on the scale are of 10 for the future of Rane group, I would have said three or four but in current times, that concern has moved up to seven because of the disruptions. Therefore, it is our responsibility to make the right strategic choices to ensure Rane is relevant. The relevance is to sustain the future of the company and do what is right for the business. While there are concerns, I believe disruptions will also present us with lot of opportunities what we have never seen before. In the 50s and 60s, Rane made a huge jump. We were a trading company, and we were selling parts in the after-market. Post-independence when industrialisation started and the likes of Tata and Mahindra got into vehicles, we took a leap and started manufacturing. Similarly, the significant changes are also bringing opportunities along.

Client speak

Interactive session with CK Ranganathan (CKR), Chairman and Managing Director, CavinKare, 17 Aug |4pm

1. **What inspired you to have "Thinking Big" as a co-value for your company and what are your learnings from this mindset?**
   At the start of my career as an entrepreneur, I read a book by Dr David Shwartz "The Magic of Thinking Big". I was very inspired by this book. I credit the excerpts of the book to widen my thinking and vision. I believe it's important to encourage people to think big and I decided to take "Thinking Big" as a core value. As a result, we started looking at ideas as ways and means to achieve bigger targets. After having this core value, there has seen a change in employees' approach, they have started thinking big and not be conservative This has made employees more innovative.

2. **CavinKare has been an innovation-driven organisation. Right at the start, an R&D lab was established at CavinKare. What does innovation actually mean to you as an organisation? How important is innovation for the future success of the company?**
   The genesis of CavinKare is driven by innovation, which has played a critical role in the company moving forward. If we were

in the "me too" space, I believe, the company would not have succeeded. Innovation is the "name of the game" to survive. Right at the start, we invested more in R&D for the same reason. Since then, CavinKare has continued to have a much larger space and investment for its R&D facility, even bigger than the office space.

3. **During the COVID-19 pandemic, what kind of strategies you adopted to stay relevant, given the fact that with lockdowns, supply chains were getting disrupted? What did CavinKare do to do things differently? Do you believe the work-from-home scenario will continue even after the pandemic?**

The first thing we did was to introduce "health and hygiene" products that were relevant for combating COVID-19. These products include meat/vegetable washes that could clean bacteria, microbes, and other infectants; sanitisers; hand washes; glass cleaners; and gadget cleaners. Introducing these products helped us stay in the consumer's mind. This helped us in a situation where the government did not allow to produce products other than essentials/hand hygiene products. Only after 25-30 days were shampoos, etc., were classified as essentials. With these new products, we were able to reach the marketplace. Later-on our food products, etc., also started reaching the market. This also helped our distributors as it enabled them to keep the momentum alive. They were able to make profits from it as well.

While these steps were on the product innovation side, we had actually anticipated that the pandemic will hit us by end January and 15 February. We were fully prepared to move towards a work-from-home environment by way of setting-up the infrastructure (laptops, etc.). As a result, 3-4 days before the lockdown, we were ready for the work-from-home set-up. Being prepared in advance helped us in smooth transition of our work. In addition, the company looked at some of the roles that could be permanently outsourced, believing that WFH scenarios are likely to continue in the post pandemic era as well.

CavinKare wants to be a permanent WFH company and look at meeting colleagues may be once a fortnight at a common place, while our R&D and factory continues as is.

4. **As an organisation, how do you measure success? In hindsight, are there any decisions that you think you could have done differently?**

CavinKare has had its share of errors/mistakes, but the focus has always been on being able to return to normalcy in a span of three months. Hence, we make chewable mistakes/decisions – the ones that do not derail us or put us in a permanent jeopardy. As at the developing or small stage, it is a necessity to take risks. But we focus on taking chewable risks. As an example, say, we launch a new product. If it fails, in maximum three months, we should be able to get back to normalcy; this is the only rule we have. Although we have made mistakes, we have come a long way since inception.

Success is a journey and not a destination. We need to keep moving and define our success by way of the number of stakeholders we impact positively. Business is based on an ecosystem of different stakeholders/individuals/families of employees and not on one single entrepreneur. It is important that our stakeholders are benefitted and happy being part of the journey. If we are increasing our canvas day-by-day, we will impact more people positively such as consumers, vendors, distributors, and government, including our shareholders, etc., society at large. That would be a measure of success. The need to benchmark against competition and catch-up in terms of growth with larger players is also important.

5. **You have the habit of reading and investing time in yourself. Could you please share with us the benefits of daily learning and how have you created a culture of learning in the organisation?**

I credit my success to the habit of reading and reflections based on that reading/learnings. I have been implementing these learnings. The "bottlenecks" are always on top, whether one is a start-up or a big conglomerate. It is the leadership and the pipeline of leaders that make the difference. If the leadership doesn't equip themselves and are not abreast of what's happening around, the "bottleneck" will be telling on the organisation's growth. Being able to overcome the deficiencies of oneself requires tremendous amount of self-regulation. Being self-aware of the deficiencies is important. As a leader, every morning I spend 2 hours and 30 minutes on self-learning. That's how I have been starting my day for the past 30 years. I look at my calendar and prepare for the meetings as required. I visualise various scenarios and their impact – it's a very influential and powerful medium. I have adopted this approach of visualisation since my early days. The habit of visualisation has helped me grow my business to the extent that once visualisation is done, it's only a matter of physical creation/replication. With visualisation, I get very passionate about getting my vision translated into reality and that has helped me in expand the business.

Reading is another activity that I do every day. As I read a book, I note down the topics that are of interest. The next aim is to think and strategise around, as to how I can change fundamentally and bring that change in the organisation. I spend 30 minutes on planning and strategising. I do not read more than 3-4 or maximum 10 pages in a day. Over the years, I have been constantly editing/re-inventing the way I have been spending my morning time. I have made small changes over time to make better use of this time. Planning, execution, and review of the time plan has been a way of my life. Trying to immediately implement the learnings has helped.

Preparing for the day ahead is another important aspect. By adopting this approach, I have been 10 times more effective in meetings than otherwise. I exercise daily in the last 30 minutes of my morning time.

I tried to implement this in the organisation by suggesting office colleagues to follow a similar practice. Now as a practice, we have implemented the "invest in yourself during office hours" technique for R&D, marketing, and HR – almost 7-8 functions of the organisation. From 9:30 am to 10:30 am, there are no meetings. The teams discuss on a pre-defined topic and are asked to make a weekly presentation on what they learnt. This is being driven by the learning and HR function. It has created several new ideas for the company and helped improved the caliber holistically.

6. **What learnings/experiences have you passed on to your children as they are now joining the business as well?**

I started having lunch time conversations with my children. With the work-from-home scenario, this has become better (1.5 hours lunch time). During these conversations, I shared my day-to-day experiences and described my challenges and steps I took to overcome these challenges. Similarly, the children also share their experiences/challenges, etc. Over a period, this practice has matured, and the value system has become an integral part of their thought process. Being able to share the interesting part of the day with children has been extremely useful and a great learning experience for my kids, especially in terms of being able to inculcate values.

From very early on, I communicated to my children that they need to start something of their own, succeed, and then they can join CavinKare. So, this was very clear in their minds, right from the times they graduated from the college. The rule followed was, the children will be given small start-up money (seed capital ~INR 10 lakh) and they need to prove themselves. I communicated this to my three children that "I wish you fail", as failure teaches one much more strong and powerful lessons. These rules were made clear to the children right from the beginning.

I believe that investment I was making in failures was very important, as this what has carved out a future path for the children– "make them or break them". I have tasked office teams to closely monitor the initiatives run by my children just to avoid any statutory violations. Today my son and daughter are successful in other businesses as part of CavinKare. Third daughter is currently on her own and doing very well in her bakery business. I will still wait for another 2-3 years before bringing her into CavinKare.

This approach is much more useful. I want my children to take chewable risks. The journey took 5-6 years to groom them. Now they can independently handle business.

Key message – fail fast and fail cheap. This is also the mantra of CavinKare. This approach has helped the company launch customised/targeted products. We are able to understand the market dynamics (product can succeed or not) better at a lower cost. This has helped us as we incurred lower media cost due to this approach.

7. **What is the one business challenge if you could solve, would make the biggest impact on your company?**

Defining sharp strategy is a very important starting point followed by execution.

8. **How did CavinKare as a company deal with the opportunities arising out of digital transformation over the past few years? What is that CavinKare saw as an opportunity coming out of transformation?**

Digital transformation is extremely important. It is a complete shift in the way we do business. It is important for companies to adapt to the change; else we will not sustain in this business world. I always emphasize the need to be digitally savvy, particularly in the areas of AI-led analytics and being able to use AI across the business.

We started our own small start-up to work in the areas of IoT, blockchain, AI, analytics, RPA, etc. This has a team of 60 members; the number will soon reach 100. CavinKare's next round of people investment is planned in this space.

The company has also started to focus more on e-commerce channels, while the product range is not very suited for this channel. But today, CavinKare is at 5% within the personal care segment, with the market being at 7-8% (average). By March, we are targeting to be 7% in this space on e-commerce. As this habit shift (of consumers) is going to be permanent, with one-fourth of the market being driven on e-commerce in the next 5-10 years, CavinKare is developing a lot of e-commerce-only products. To meet the changing dynamics, two divisions have been created within the company − one is focused on regular e-commerce and the other on start-ups (following the fail fast and fail cheap philosophy). With this, we believe that the company will be at par with large players within the FMCG segment.

9. **What are some of the qualities that you would look for in a professional service/advisory firm?**

In-depth knowledge and strategic outlook are the two very important aspects. Complete knowledge and practical exposure are critical; having this background is a basic requirement. The strategic directions that an advisory firm provide and to be help us along the way to implement the strategy is a key factor as well. Caliber of the partners/engagement team working with us is also crucial.

10. How does your board react to the changing times? How does the board get agile in decision-making, as it's the ultimate decision-making platform? What did you do with your board in the changing times?

CEO holds the majority of operations. The board has worked with me to make the transition of handing over operations. It has led the e-commerce and the digital transformation journey. It's an active board that CavinKare has. I have given way to a new set of individuals. I am still looking to add new members from different domains and make it more agile.

11. CavinKare continues to be present in sub-regional markets and brands. Is this likely to continue?

Yes, this will continue as these brands give us a lot of uncontested markets with good margins. About 25% of such brands have limited competition, and almost 10% have zero competition. This helps us keep insulated as well. Most of these brands were not doing well until CavinKare took them over.

Growing Importance of next gen entrepreneurs

The new age-generation of entrepreneurs and their importance

It is often argued that entrepreneurs of the new-age generation are very different from all previous generations. There might be some merit to the argument, for the new generation of entrepreneurs are young, have different aspirations, and are equipped with a lot more information and technology. Besides, the demographic shift, changes in preferences, diversity, and economic needs have led to the creation of new markets and demands that were previously unheard of. A combination of all these factors has worked as a catalyst for the rise in the new-age generation of entrepreneurs.

In the last decade and a half, the new-age generation of entrepreneurs has brought about a marked change in the business landscape leveraging technology and innovative ideas. Be it shopping, commuting, education, or payments, these tech-savvy entrepreneurs have tapped into unmet demands, while creating new ones, revolutionalising consumer lives, and habits like never before.

At the same time, this generation of entrepreneurs is resulting in a creative disruption in every industry and sector, changing decades of business practices and ways of running enterprises. This new breed of entrepreneurs is aggressive, risk-taking, willing to experiment with new ideas, and quickly learning from failures. In ever more globalised societies and interconnected economies, they are driven to take down monopolies and challenging problems with creative ideas to foster competition and promote shared prosperity. Be it sustainability or digitisation, these entrepreneurs are "ready to act" and pitching projects for change.

Why are the new-age generation entrepreneurs so important?

Entrepreneurs are drivers of innovation, economic growth, and are keen to make a positive change in their societies. According to a study by the US Bureau of Labor Statistics, new entrepreneurship represents one of the highest correlations with strong economic performance. [1] New startups and entrepreneurs contribute to net growth in employment when compared with older and larger firms and significant contribute to GDP in times of economic uncertainty. Through constant innovations and cost cutting measures, they create wealth and improve the living standards of people in a country.

Recent studies suggest that to unlock the true potential of entrepreneurship, more young people should be encouraged.[2] With increasing number of jobs being lost to automation and artificial intelligence, the nature of employment and job requirements are dynamically changing, requiring young talent to explore new possibilities and upskill. Besides, the agility of young minds, low social and financial obligations, as well as ability to learn from failures help young entrepreneurs to experiment and be creative.

There are merits to the argument that this next generation of entrepreneurs have the added advantage of starting early. This is because of early grooming, mentorship and support from past generations of entrepreneurs. Besides, strong existing network with the business ecosystems represent an opportunity to fail sooner and grow faster.

In India, there is evidence that the new-age generation and young entrepreneurs have contributed to increased competitiveness and diversification in the economy. The rise of food ordering platforms, ride-hailing apps, e-commerce, or ed-tech companies, many of which have become unicorns within a few years of conception, is a testament to filling in vacuum in the market and taking off. They have created thousands of jobs, reduced the cost of operations, improved efficiencies and customer experiences, and added millions to public coffers.

Not to mention, the younger generation of entrepreneurs is much driven about sustainability and climate change. The ability to take risks and try something new has motivated these young entrepreneurs to actively take up social causes. Several of them are using innovative ideas to develop solutions to solve social issues. Launching electric scooters (Zulu), encouraging farmers to turn farm wastes into value-added chemicals on-site, like activated carbon (Takachar), and providing solar solutions in the remotest parts of India at affordable rates (Frontier Markets) are a few of many sustainable initiatives on the anvil. They are making a huge impact at a time when sustainability and climate change have taken a new meaning; many of such initiatives are even being appreciated in global forums. A 29-year-old entrepreneur was awarded the prestigious 'Young Champions of the Earth' in 2020 by the United Nations Environmental Agency (UNEP – United Nations Environment Programme). According to the United Nations, efforts should be made to inspire young people who will become successful social entrepreneurs and contribute to advancing the Sustainable Development Goals and tackling the socio-economic impacts of COVID-19.[3]

The new-age generation is inclusive and seeing the rising participation of women entrepreneurs. According to a UN report, the share of young Indian women entrepreneurs seeing themselves fit to open a business in 2015 has been around 41.2 percent.[4] However, it does not fare well when compared with its peer nations such as Thailand, Indonesia, and the Philippines, where the share of younger women confident about their business abilities was comparable or even better than younger men.

What are the challenges?

Even as entrepreneurship has evolved, the journey has not been less difficult. One of the biggest challenges for young entrepreneurs is

[1] https://www.bls.gov/bdm/entrepreneurship/entrepreneurship.htm
[2] https://www.weforum.org/agenda/2015/10/why-young-entrepreneurs-are-so-important/
[3] https://www.un.org/development/desa/en/news/social/2020-world-youth-report.html
[4] https://www.uncdf.org/article/5631/youth-entrepreneurs-engaging-in-the-digital-economy-the-next-generation

that they are often considered inexperienced and unproven and even promising ideas are not good enough. According to an Indian survey study, a majority of the first-time entrepreneurs are unprepared when it came to determining the product-market fit, future valuation of their product, and monetizing their ideas.[5] Lack of thorough market research led to a poor understanding of the potential market size, the entry barrier, and their impact on growth prospects.

Consequently, first-time entrepreneurs face hardships such as access to funding, the right mentorship and training, and networking opportunities. According to the National Association of Software and Services Companies (NASSCOM), approximately 45-50 percent of start-ups die before the seed-stage funding and one of the many reasons for the failure is the inability of entrepreneurs to fund their ideas or avail follow-on funding at later stages.[6]

Many willing entrepreneurs postpone their decision to start a venture due to the lack of funding available to them or debt obligations (probably because of student loans or family loans). As they delay their decisions, the risk-taking appetite, and motivation to experiment also wane.

Enabling ecosystem to give new-age generation entrepreneurs a leg up

Inculcating young entrepreneurial minds is important as young entrepreneurs bring innovation and technological advancement to the business eco-system, which have a cascading effect on jobs and income. Recognising the potential, the government is making huge efforts to foster entrepreneurship in India through various initiatives such as the Make in India (2014) Startup India (2015), Skill India (2015), and Digital India (2015). Entrepreneurs turned investors are actively supporting this evolution by not only providing seed funding but also their guidance based on their own experience. Large corporates too are investing and collaborating with these new-age entrepreneurs to attain greater agility develop new ideas, augment and develop new products and services, and improve customer experiences. In addition, the number of incubators and accelerators (several of them supported by big conglomerates) are rising in number, which are helping these entrepreneurs with viable ideas in developing prototype at affordable costs as well as imparting training.

[5] https://link.springer.com/chapter/10.1007/978-3-030-46220-8_13

[6] The National Association of Software and Services Companies (NASSCOM). 2017. *Indian startup ecosystem, Traversing the maturity cycle-Edition 2017*, supported by Google for entrepreneurs. https://www.nasscom.in/knowledge-center/publications/indian-start-ecosystem-%E2%80%93-traversing-maturity-cycle-edition-2017

What it takes to build a brand digitally?

India is at an inflection point when it comes to favourable demographics, increasing mobile phone penetration, and affordable internet connectivity. These factors are changing the media consumption patterns and more in favour of Digital. Worldwide ad spending on digital will reach almost US$ 455 Bn in 2021 and forecasted at US$ 645 Bn by 2024. Thus, it is expected to grow almost 41 percent in the coming three years [1]

We must acknowledge the rise of digital media in building brands today.

Organisations need a clear vision, process and the right set of strategies, followed by the right communication on digital brand campaigns.

You may have good products or services, but the ability to weave the right story around those for the target audience is what will differentiate you – and build your brand digitally. Here are six simple strategies that can help brands play the digital game to their maximum advantage and make a mark in a virtual world:

1. **Content Marketing:** People co-creating content around your product or a key feature will build a great story and trust. Spark conversations around your products' features to engage with masses. Keep your products' features at the centre of every conversation. User generated content can be a powerful content marketing strategy

   For example, one of the top mobile phone companies started a digital campaign 'Shot on' [2] to get people talk about the camera quality of its phones. As part of the campaign, it asked users to take pictures and share their best shots on the company webpage. As a result, awareness about the brand increased and it built a loyal community of users across the world.

2. Search engine management: Explore the option of paid advertisements within search engines to be in front of potential consumers who are looking for your brand and product category or have a problem statement where you can help. With correct key word strategy and complete analysis, your brand visibility in the search listings can be improved at the "search engine listing page" level.

   For example, using data analytics, artificial intelligence and machine learning, a large online global shoe retailer analysed and picked up on new keywords that are introduced as soon as fashion trends start to buzz online. The algorithm is also capable to serve personalised results to customers based on their previous search history.(3)

3. Social Listening: This is about creating a social listening framework to know what people are talking about your brand, product category, and new trending topics. How do you create a receptive brand image by responding to customer queries in time will define your brand? The insights that emerge can be used strategically with analytics to create communications strategies.

   For example, one of leading lifestyle fashion brands, after running four different digital campaigns, measured the conversations that each generated. With social listening, the brand was able to get to a key business insight. It identified that the success of their campaign was dependent on their geographical market. They also derived that customs and culture were important of how a communication is received.(4)

4. Influencer Strategy: Use influencers to create brand awareness and push sales. Rope in influencers (personalities in society and the professional world who have followers and are capable of influencing others' opinions) to spur discussions revolving around the features and benefits of your brand on different platforms and encourage customers to buy products. These key opinion leaders can create a positive image of your brand and products. Digital tools can help brands select the right influencers and monitor their performance.

   For example, one of the largest global footwear brands tied up with a highly popular YouTube channel 'Whats inside' to talk about its new shoe line and create a hype around it. The influencer engaged both new and existing customers and helped generate sales for the product.

5. Affiliate Marketing: Leverage affiliates to enhance brands' visibility and sales. Create leads and awareness using affiliates, which is a people's marketplace managed by third parties. Using data analytics, the marketplace generates insights on the target audience available that can be used to create targeted marketing campaigns. This marketing channel is unique to digital.

   For example, a leading online marketplace for tourism activities, created an affiliate marketing programme where it created custom referral codes for users that could be shared by them with other potential users. The referrer gets a credit (like cash back) when a new potential user encashes the referral code. Their presence on key web sites where potential travelers visits and the offers are a part of their affiliate marketing campaigns. (5)

6. Go viral: Create interesting, out-of-the-box, surprising, and relatable content that can go quickly viral and enhance awareness about your brand. Using AI and ML tools, you can get a deeper insight on what kind of content has a higher probability of viewership and take strategic decisions on what type of content to create. Dissemination of content is also easier on digital channels. You can choose from multiple options, such as YouTube, Facebook, Twitter, Instagram, and third-party websites.

   For example, a premium beauty soap brand, created a viral campaign, 'Real beauty Sketches' in which real women contemplated themselves through another's eyes. The campaign was a big success and the video garnered 114 million views at a much smaller cost compared with a TV commercial (costs almost US$4.5 million per 30 seconds).

In addition to effectively implementing the above-mentioned strategies, chief marketing officers should invest in building digital assets, such as domain web sites and a robust social media presence. Designing a corporate communication for brand introduction and testing of conecpts before going live for key media campaigns can help marketers excel in their digital marketing initiatives. All of these can be achieved with the right digital partner and tool stack.

Building brands on digital is a process and the key human element of engagement will never be undermined. The emotional connect between the customer and the brand has built legacy brands that thrived over decades and centuries. Brands will be built in the minds of the customers and digital strategies can help define a long term step by step approach to achieve this objective. For new, it will create the brand and for heritage it will keep building the brand.

Sources: (1) https://www.emarketer.com/content/worldwide-digital-ad-spending-2021(2) https://www.ukessays.com/assignments/apples-shot-on-iphone-campaign-report-2021.php(3) https://www.modernretail.co/retailers/how-zappos-used-ai-to-rebuild-its-search-engine/(4) https://biznology.com/2016/08/12-inspiring-social-media-monitoring-case-studies/(5) https://monetize.info/companies-grew-affiliate-marketing/

Succession planning in family-owned businesses in India

One of my favorite scenes from cinema is from Francis Ford Copolla's "The Godfather", when Don Veto Corleone gathers the extended family around his living room to pass the baton to his son Michael. It brings to an end a succession process that perhaps started late, started poorly but in the end was executed effectively with a calm transition of control that leaves the family well placed for the future.

For family-owned companies, succession planning can be challenging as it involves complex and historical family ties and emotions that can influence thinking and decision making. Research indicates that as many as 70 percent of family-owned businesses globally do not survive the transition. However, proactive succession planning can not only support the growth of the business and set the stage for retirement, but also help preserve harmony within the family.

Family-owned businesses in India recognise the need for effective succession planning. However, despite recognising its importance, they are often slow and reluctant to act on it. Some of the reasons for this indecisiveness may stem from complexities around the following:

- While promoters/founders may want to hand over the reigns to a family member, younger family members may have different interests. Alternately, bringing in non-family members can create acceptance challenges with family members who continue as a part of the business.

- Families usually want to share the wealth of the family equally amongst family members. However, when it comes to selecting a “successor” to run the business, following the same principles of equity will not prove to be effective. Multiple successors, if selected, without a clear operational structure, can cause confusion and chaos.
- Founder promoters play an integral part in building a family business. As a consequence, they often want to hold onto operational control and reigns for as long as possible. While they bring great passion and knowledge to the business, the continued heavy involvement of founder promoters can lead to frustration and tension within the identified successors (family or non-family) because of their inability to take control or because their decision making is second guessed or back channeled to the founder promoters.

What then should family-owned business do to be able to manage succession challenges effectively? In our experience of partnering with such family business, here are some success factors that can support a smooth transition.

1. **Be clear on the vision for the future of the business:** Clarity on the vision for the business can be instrumental in determining the way forward on succession. For example, does the future of the business lie in continuing in the same line(s) of business or is it linked to expanding into other areas? Or will the business continue to be privately owned? Clarity on the vision for the future and the best path for the same can have clear implications on the selection of the successor
2. **Settle the issue of family vs. non-family successor:** It is important to be clear if the successor will be a family member or not. This can be done through discussions between the founder promoter and other family members on what is best for the business, assessing the availability/suitability of family members to take the business forward and determining the interest of the next generation in participating in running the family business. Once the decision is made, it is also important to have alignment from the extended family on the decision and to address any concerns they may have on the future of the business, their roles and on income flows for any retiring members.
3. **Start early:** Starting early is perhaps even more critical for family businesses than it is for others. Family businesses in India can be complex organisations with many stated and unstated ways and norms of working, compounded by the relationships and histories between family members. Hence, it is helpful to start the process as early as possible and provide the chosen successor with adequate time to learn and adapt.
4. **Transition from founder to mentor:** Perhaps the most critical role in succession with family businesses is that of the founder promoter. They have built the business and have strong emotional connects with the business. In this phase of transition, they have a key role to play in identifying and grooming a successor on the one hand and in helping create buy-in from the other family members on the other hand. When done effectively, founder promoter transitions slowly and effectively from “leading” to “guiding” the chosen successor in taking control
5. **Seek help:** It is hard for a family to do this all by themselves because of the skill set requirements and the need for objectivity. Seeking help from advisors who have experience with having done this before can help bring science and rigour.

Succession is an inevitable requirement for all family businesses. Accepting this reality can set the family on the path to success.

Next Generation in family business, perspectives

In almost all countries, family-owned companies are the backbone of the economy. Family businesses face complex challenges, involving not only business and investment decisions, but also ownership issues and family relationships.

Most family-owned companies struggle to survive beyond a single generation. Worldwide, only one out of three family businesses make the transition successfully from the one generation to the next. Family businesses are vulnerable at times of transition in leadership, when there is often a conflict between the desire to maintain and respect tradition and the need to adapt and progress the business in response to its changing environment.

The new generation of young and highly motivated people is ready to take over leadership of their family businesses. The longer-term prospects for their company, and the challenges they will face, are high on their agenda.

Family firms need to maintain a balance between business goals (such as growth, innovation and recruiting talented staff) and family goals, such as maintaining family values and protecting the family wealth. They also need to arrange a smooth transition in leadership eventually, from one generation to the next.

On the basis of the experience gained while working with business families, the next generation identified the following areas which have been discussed in detail.

Succession

A formal succession planning for the leadership of the business is a well-established process in many listed companies. Worldwide, however, only one in three family businesses make a successful transition from one generation to the next. Although family businesses generally take a long-term view, very few of them have devised a succession plan or a process for passing on managerial and ownership responsibilities to the next generation of leaders. Within a family business, succession can be an emotive issue. Personalities and circumstances vary greatly, and succession planning needs to be adapted to the situation. Leadership succession should be anticipated and planned for, and planning cannot start too early. A written succession plan will significantly reduce the possibility of doubts, misunderstandings and arguments, and will help to ensure a smooth transition.

An involved and informed succession plan sets the tone for all stakeholders within the family. Families are evolving to set in place a business as well as family leadership succession plan. Written succession plans are uncommon but are gaining traction.

We have observed that written plans, which are co-created by all family stakeholders are more effective. These plans provide guidance as regards the process that will be followed by the family for identifying the next leader. As the plan would have been co-created by all family stakeholders, the acceptance of and adherence to the same in the journey is far better.

A written succession plan enables the next generation to be aware of the 'rules' that need to be followed to gain leadership and thus they can start early basis their desire to lead the family business.

Amongst other aspects, the succession plan should provide sufficient guidance about the educational qualifications, work experience outside the family business and in the family business, responsibilities to be undertaken and obligations to be discharged.

The succession plan should set out the process to be followed in case of an unexpected and tragic event of the existing leader passing away or being incapacitated. This 'emergency' should be well defined such that continuity of business is maintained.

Well planned is half done! Next comes implementation, i.e., governance.

Governance

Next generation leaders are hoping to have a platform where they are 'heard' and involved in the decision-making process.

A robust governance is widely seen as a prerequisite for successful family businesses, for protecting the family's wealth and for the transition of leadership to future generations. Governance provides a framework within which roles, policies, processes and controls for guiding decisions can be established and implemented. For family businesses, there often comes a point where neither tradition nor experience is sufficient for effective leadership. Growth in the business, a new open-mindedness about hiring non-family executives and issues around leadership--all create a need for a more structured governance framework.

As families and businesses grow, additional members of the family would like to participate in the business. It is often observed that many families mix emotions while applying the governance process. Bringing in objectivity to the conversation at hand requires practice. A good governance structure is one, where the leader and all stakeholders adhere to the rules that have been set in place. There will be creases that need to be ironed out, which should be done in terms of the process as set out.

Families should consider inviting non-family industry experts/professionals to join these conversations such that external perspective is also heard. A good governance structure which respects the protocols set will attract non-family industry experts/professionals. This would be a win-win for the family and the business.

Is governance only about decision making? No! It's more about sharing experiences in a non-adversarial environment. Each member of the family governing board (often called as the Family Business Board or a Family Council) has to practice such that the discussions, which may result in agreements or disagreements, do not impact personal relationship between family members.

Good governance reflects a united family and strong business potential and protects family wealth.

Business strategy

What is the strategy of the existing business? Will the business focus on product or geographical expansion? Is creating jobs for family members important – family first or business first? These are some of the pertinent questions that are/need to be discussed. The business environment is evolving and businesses that are nimble in their approach are successful.

The strategies of family businesses are generally aimed at expansion in terms of (geographical) markets and products or maintaining market leadership and strengthening the company's brand.

Most publicly listed companies do have a business plan that spans over three years or more, however this is uncommon in many unlisted privately owned family owned and managed family businesses.

Most of the next generation leaders have expressed a desire to have in place a documented strategic plan. It is the belief of the next generation leaders that the plan that is in existence today, apart from being an informal one, is conservative. To this end, the next generation leaders are open to external financing with adequate safeguards being put in place.

Another area that the families often dwell upon is new business opportunities. This is an important aspect as the next generation may want to explore other business opportunities, i.e., beyond the existing business. This calls for a deeper and in-depth conversation – what is the process for approving new business ventures? Who will manage the existing business? Level of involvement of non-family executives in the existing business? How will the new business be funded? What will be the ownership structure of the new business? These are some of the questions that need answers. Each family is different and thus the path has to be the one that is best suited to the family's value.

Risk and Innovation

Family businesses, like any other companies are exposed to various risks – such as strategic, financial, and operational risks. In addition, the family businesses also face risks that relate to the family, arising from lack of succession planning, divorce, death and family conflict. Business values and family wealth are closely linked to the risk-taking ability. This may lead to a risk-averse behaviour in order to preserve the family's wealth.

The senior generation believe that the business is 'set' and value is 'preserved'. Thus, the senior generation is inclined to be risk-averse and unwilling to innovate, even though they have the resource to do so, due to concerns about the possibility of a negative outcome and a reduction in the family's wealth.

In the life journey of most family businesses, two generations do explore the possibility of having a partnership between them. The partnership is between the senior generation, who in most cases have set up the business from ground zero and the next generation that is looking at the business from a different set of eyes. For this partnership to flourish, there has to be an alignment of business strategy, coupled with innovation and risk-taking mind set.

Family company owners can have a positive impact when they participate actively in the innovation process. They are able to make sure that money is invested in the right projects and that resources are employed in an effective way. Digitisation and innovation in the existing and new business holds the key with the advancement of technology and altering business ecosystems.

Conclusion

Next generation leaders are raring to contribute the business ecosystems. The need of the hour is to provide them clarity and support in the journey that lies ahead. The senior generation can partner with the next generation to achieve the goals by providing the next generation a platform to share their views, explore opportunities, grow wealth and preserve the family values.

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