

DEMONETISATION: JOB CUTS GALORE

BW BUSINESSWORLD

www.businessworld.in

RNI NO. 39847/81 | 26 DECEMBER 2016

LOOKING BACK. LOOKING AHEAD

**BUSINESS
IN 2035**

COLUMNS

Kumar Mangalam Birla
Adi Godrej
Ajay Shriram
Kiran Mazumdar Shaw
Harsh Pati Singhania
Tiger Tyagarajan
Naina Lal Kidwai
Kris Gopalakrishnan
Rajeev Chandrasekhar
Swati Piramal
S Gurumurthy
Sumant Sinha...

**35th
ANNIVERSARY
SPECIAL**

ISSN 0970819-7



Rs 100

CONTENTS

■ VOLUME 36, ISSUE 9 ■ 13-26 DECEMBER 2016



38

LOOKING BACK

- 48 Game-changing policies
- 82 Who's who of business
- 114 Home-grown brands
- 128 Corporate controversies
- 162 Milestones in history
- 184 Laws that shaped India
- 230 Women of substance
- 254 Showbiz
- 294 Global events

LOOKING AHEAD

COLUMNS:

- 74 K.M. Birla
- 78 Adi Godrej
- 102 Ajay Shiram
- 106 Naresh Trehan
- 108 Preetha Reddy
- 110 Harsh Pati Singhania
- 112 Naveen Tewari
- 140 Arun Maira
- 144 S. Gurumurthy
- 148 NV Tiger Tyagarajan
- 156 Sumant Sinha
- 160 M.S. Swaminathan

- 180 Naina Lal Kidwai
- 182 Pukhraj Singh
- 200 Rajeev Chandrasekhar
- 204 Madhav Chavan
- 208 Satya Narayanan R
- 211 Bhavin Turakhia
- 212 Santosh Mehrotra
- 214 Y.K. Koo
- 216 Ram Rajasekharan



350

- 222 Swati Piramal
- 224 Ameera Shah
- 226 Kiran Mazumdar-Shaw
- 244 Abanti Shankaranarayanan
- 248 Onkar Kanwar
- 250 Jagdeep Chhokar
- 252 Ajeya Singh
- 266 Mani Shankar Aiyar
- 270 Chandra Bhan Prasad
- 273 Rattan Keswani
- 274 Krish Gopalakrishnan
- 277 M. Janakiraman
- 278 Madhusudhan K.M.
- 280 Rajendra P. Gupta
- 282 Premkumar Sheshadri
- 284 Raghav Bahl
- 286 Girish Agarwal
- 288 Puneet Goenka
- 312 Yuri Afanasiev
- 314 Sean Kidney
- 316 Prakash Padukone

OTHER STORIES

38 Cash Crunch

Demonetisation sees enterprises laying off staff and more are likely to follow suit

318 Case Study

How ATM owners reacted in the wake of the demonetisation of Rs 500 and Rs 1000 notes

350 Lifestyle

Signature cocktails from top bartenders to brighten the New Year

362 People In The News

Vijay Shekhar Sharma, Rahul Johri, Bali Padda, Lydia Polgreen, among others

TOTAL NO. OF PAGES INCLUDING COVER 364

The pages in BW Businessworld that are labelled BWi or Promotions contain sponsored content. They are entirely generated by an advertiser or the marketing department of BW Businessworld. Also, the inserts being distributed along with some copies of the magazine are advertorials /advertisements. These pages should not be confused with BW Businessworld's editorial content.



By **AJAY SHRIRAM**

THE GREAT INDIAN FAMILY BUSINESS

35

ANNIVERSARY SPECIAL / COLUMN

Be open to the possibility of seeking external help to successfully run your family-owned business

THE FAMILY AS A SOCIAL institution, indeed the oldest institution of humanity evidenced by The Code of Hammurabi written over 4,000 years ago in Mesopotamian cuneiform, continues to assert its pre-eminent position in global societies, unconditioned by the nebulous ties that mark human relations today. The strength and tenacity of the family is determined by its innate ability to adapt to changing times. Hence, there is no gainsaying that the family will continue to hyphenate all key dimensions of society. And the reasons are not far-fetched.

The family creates a strong support system for individuals, not just during their childhood but all through their life in a myriad ways. The family also provides society with a structure for passing along a culture's values from one generation to the next.

It is these very core strengths that provide solidity to enterprises owned and managed by families. Pertinent to note that 80-90 per cent of all firms worldwide are family-owned and that indeed serves as a major stabilising factor to open economies, where the private sector drives GDP growth and employment generation. Prof. William T. O'Hara in his 20Q3 book *Centuries of Success: Lessons from the World's Most Enduring Family Businesses* writes, "Before the multinational corporation, there was family business. Before the industrial revolution, there was family business. Before the enlightenment of Greece and the empire of Rome, there was family business."

In a similar vein, family-run enterprises account for some 90 per cent of India's industrial output and nearly 80 per cent of organised private sector employment. The fact is, the dominant position of Indian family enterprises on the business turf has not changed very much although the economy underwent climatic changes in the wake of accelerated privatisation, globalisation, and rise of knowledge business

powered by young start-up entrepreneurs.

Sample this: 15 of the top 20 business groups in 2016 are family-owned. Together, they controlled nearly Rs 26 lakh crore (\$390 billion) of assets at the end of FY16, accounting for 84 per cent of the combined assets of the top 20 business groups.

Family enterprises are seen to exude a greater sense of commitment and passion to their sphere of business. A family business survey conducted by PwC in 2013 brought forth the fact that family business owners tend to take better care of their businesses as they have greater personal stakes involved. Family businesses are more appreciative of their talent and non-family members are often treated as members of the family.

"These strong, long-term relationships with both employees and the other stakeholders (for example, suppliers, etc.) result in fruitful daily operations," the report says.

The PwC report also cites other key attributes of family business, namely, agility in business decision making, deep industry insight, mutual trust, employment generation and entrepreneurship development as factors that reinforce the dominant position of family enterprises on India's business landscape.

To delve deeper into these attributes, most family enterprises do not have any direct responsibility to shareholders outside the family and so they have

greater flexibility in making decisions that improve the speed with which they launch new initiatives, change operations, evaluate new business opportunities, etc.

Family businesses also command significant experience and expertise in the domains in which they do business. "Often, those who lead family enterprises have a true pulse of the market and an understanding of their consumers' likes as well as dislikes," says the report.

That said, family businesses, in general, do face a gamut of challenges owing to which several traditional Indian family business groups have fallen behind in their respec-

A 2013 PwC survey showed that family business owners tend to take better care of their businesses as they have greater personal stakes involved

35

ANNIVERSARY SPECIAL/ COLUMN

tive domains in the face of increasing competition from new entities.

Ground realities suggest that succession has been the Achilles heel for many family businesses. It is seen that business groups with smooth transition to the next generation have been better at taking advantage of new growth opportunities in contrast to those where succession led to family squabbles.

There is also the added challenge of managing the diverse opinions of family members in the business and solving internal issues and disputes, difference in approach and viewpoints between the older and young generations, and defining strategic roles for non-family professionals in the business.

In view of these challenges, an increasing number of family businesses in India are having their businesses run by professionals at the senior levels. An estimated 96 per cent of the Indian family businesses have non-family members on their board as compared to the global average of 64 per cent. About 20 per cent are reportedly likely to offer shares to the non-family executives in the near future as an additional means to attract and retain potential talent.

With increasingly professionalisation of family business operations and management, what would family businesses look like two decades from now, say in 2035? Family is a time-tested social institution whose relevance in global societies would remain undiluted regardless of the changing mores of people.

Family enterprises by nature are governed by strong family values, and so their endurance on the business turf is equally unquestionable. That said, the competitiveness and perpetuity of the Indian family businesses would depend on the ability of family members to professionalise their individual approach to business, incubate business ideas for the future, embrace new technologies and best practices, place a premium on talent and management depth, and importantly



An estimated 96 per cent of the Indian family businesses have non-family members on their board as compared to the global average of 64 per cent

draw a clear line between family business ownership and management.

Given the complexities of modern day businesses, families will need to recognise that they do not have all the answers to the challenges they face. They will need to seek external help with an open mind. Similarly, business does not operate in isolation; expectations of governments, civil society and local communities are to be met. It will require both humility and negotiating skills to manage the landscape. Family elders will be called upon to exhibit statesmanship and be adept at arriving at a fine balance between family, business, society and above all demands of each new generation.

Current business realities and the likely course of businesses in the future suggest that family businesses will retain their sway over different sectors. The only change perhaps would be that the more competitive family businesses will take the place of those conceding ground to competition. **BW**

The author is chairman, Family Business Network, CII and chairman and Senior MD, DCM Shriram