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A REVIEW OF GENNEXT INDIAN FAMILY BUSINESSES : ANALYZING THE TRADITIONAL VALUES THEY CARRY AND NEW ADDITIONS MADE BY THEM

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ABSTRACT

To bring a certain change in the working style of the organization, the leaders need to identify the right issues and prioritize them. Many a times the issues or problem areas that seem to exist are very superficial, but have deeper roots to them. This comes in to picture only when one starts addressing the superficial ones. It requires exploration deep down the surface. Leaders in such situations get caught between so many issues that they don't understand how and what to address and which one would help them achieve their goal. Building a sense of family pride would greatly help to sustain family businesses. Moreover, it should be ensured that there is smooth communication between various generations of family members, and between the family's men and women. Also a professional approach to management is crucial. Changing business needs in today's economy require the organization to be transparent and in their systems. Family businesses are fundamental to nation building as they contribute towards the GDP of any country and are also major employment creators. Family businesses are the main pillars of any economy and contribute to a large extent to the GDP of any nation. Although family businesses are important contributors to the growth story of any nation, in Indian context, family businesses faced a major challenge to compete with the global giants after the economic liberalization in 1991. The research aims to develop an insight on why and how traditionally owned Indian family businesses are changing their ways of doing business to compete and survive in dynamically changing current business environment.

KEYWORDS: Indian family businesses, Challenges in Family Businesses in India, Opportunities for family business in India

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INTRODUCTION

Taking over a family business is markedly different from launching a startup. For a new entrepreneur, running a family business entails upholding the values and ethics of the enterprise and accepting responsibility for its sustainability. A startup or new business is relatively more free to take risks and explore daring business strategies. Running a family business is often seen as less glamorous. It comes with its own set of challenges, such as keeping up with technology innovation, adopting digital strategies, attracting the right talent, etc, according to a 2019 PwC report. However, the emotional bond an entrepreneur shares with his/her family business can't be measured with data. The bond can take precedence and inspire an entrepreneur to brave all sorts of challenges and scale up the family business. A family-owned business is the oldest form of commercial enterprise. The oldest familyowned business, Kongo Gumi, the Japanese construction company, founded in 578 AD, is still in operation and is currently managed by the 40th generation (Hutcheson, 2007). The largest company in the world, Wal-Mart, is also a family business. These family-owned businesses survive multiple generations, creating value in the economy. Prof. John L Ward, an international expert on family businesses at the Kellogg School of Management, says that "family businesses with effective governance practices are more likely to do strategic planning." However, there is still a huge debate regarding value creation by family-managed businesses and professionally-managed businesses. In the Indian context where most firms are family owned or family-managed, the idea of shareholder value creation by these firms becomes even vaguer. The leading global executive search firm, Boyden, issued The Boyden Report (Business Wire, 2007), which focused on talent issues in the emerging markets and examined four groups of Indian executives and non-resident Indians driving indigenous and global growth:

(1) The First Generation Entrepreneur (which begins from a strong family and high qualification. These are the best 'home grown' talents, (developed in India and not abroad);

(2) The Family Entrepreneur (who has inherited the company);

(3) The 'Corporate Crossover' (entrepreneurs who worked abroad till recently); and

(4) The Intrapreneur (who exploits commercial opportunities and makes optimum utilization of resources).

This classification defines the entrepreneur in a very broad sense. A family-owned business is characterized by the fact that the individual or the family is involved in the ownership, control and management. There is no separation of roles and as such, companies are under close supervision and control by the family. Families have large shareholding, which provides them with a right to control the management. Moreover, families have a larger stake in the business that motivates them to control managers (Shleifer and Vishny, 1997). Family ownership also guarantees stability of business and long-term planning. Family owners can make decisions more quickly and be more flexible (James, 1999). Westhead and Cowling (1998) opine that the existing literature fails to provide any single agreed definition of a family-owned business. The authors highlight several issues that are fairly consistent in their definitions of family-owned businesses, like whether the senior executive regards their company as being a family business (Ram and Holliday, 1993), and whether a majority of ordinary voting shares in the firm are owned by members of the largest family group that are related by blood or marriage. A family-owned business is also characterized by the fact that the management team of the firm mainly comprises members drawn from a single dominant family group owning the business, and in cases where the firm has experienced an inter-generational ownership transition to a second or later generation, by the presence of family members drawn from the single dominant family group owning the business (Churchill and Hatten, 1987). Family businesses can be a great financial investment as owners are more knowledgeable about the business than any alternative investments they might make. It has also been observed that strategy formulation in family firms differ from other firms (Chua et al., 2003). The stakeholder theory of strategic management (Freeman, 1984; Clarkson, 1995; and Donaldson and Preston, 1995) argues that strategy formulation should be examined in the context of the firm's various stakeholders. In family businesses, the stakeholder pressures inevitably focus on the family. Family businesses across the world are at the crossroads. On one hand, the next generation has to maintain the founding culture and tradition and on the other, they have to cope with disruptive challenges.

According to the annual India Philanthropy Report-2013 of the global consulting firm, Bain and Co., the young generation of family businesses is deeply involved in their family's philanthropic efforts and often they set the family's philanthropic vision. For some of them, philanthropy is not limited to donations made to NGOs, but includes keen personal involvement in welfare activities. Huzaifa Khorakiwala, the elder son of Habil Khorakiwala of Wockhardt Ltd., leads the Wockhardt Foundation. He has setup 'hospitals-on-wheels' to provide healthcare to rural poor. The foundation has so far provided free health check-ups and medicines to 1.81 million people. Kushagra Nayan Bajaj, the son of Shishir Bajaj wears two caps. He is the CEO of the group's flagship Bajaj Hindusthan and also heads Kamalnayan Jamnalal Bajaj Foundation that works in Sikar and Wardha to make water available all the year round to villagers in those areas. Roshni Nadar Malhotra, the daughter of Shiv Nadar of NIIT Ltd., heads the Shiv Nadar Foundation and has considerably expanded its activities in the area of education since taking charge in 2008. Manasi Kirloskar, daughter of Vikram Kirloskar, is the Executive Director of the group's holding company, Kirloskar Systems and has worked for underprivileged children. Veer Singh, the son of Analjit Singh of Max India group, is getting mapped the carbon footprint of the family's hospitality project coming up on the outskirts of Deharadun. An environmentalist to the core, Veer is also concerned for energy saving and waste recycling. Though the efforts of these young generation members of business families are commendable, these came to fruition because the members are backed up by their families business size and stability which serves them as a safety net. Professor Kavil Ramachandran, the Thomas Schmidheiny Chair of Family Business and Wealth Management at the Indian School of Business, Hyderabad observes, "It is an individual predilection, an inner calling that prompts them. But it is also a fact that they have the liberty to take this path because family business security is common to them all. They don't face the challenge of the family business's survival."

(https://newsletters.isb.edu).

ADVANTAGES AND CHALLENGES FOR NEXT GEN

The younger generation enjoys major benefits of being a part of these changes from birth. Technology comes naturally to them, whether it is writing, learning or thinking. Their horizon seamlessly cuts across geographical borders, and they are better informed of the trajectories of change. Their history of not witnessing the 'Hindu rate of growth' has made them optimistic and naturally much more entrepreneurial. They think big, although they are not always aware of the challenges, and the implications of implementing their strategies. The country needs such big thinkers to sustain the pace of momentum set in motion already.

Family businesses are uniquely blessed with a basket of resources, both tangible and intangible. These include deep business wisdom, rich social network, benevolent grooming and abundant funds. Normally, members of the young generation tap into this basket automatically and voluntarily out of family traditions and stewardship values. Encouragement of entrepreneurship offered in Indian business families is an added advantage, particularly in nuclear families that wish to grow big quickly. However, we should not be oblivious to the realities of the challenges that accompany such advantages. Among them is the natural overconfidence (bordering on arrogance) in their knowledge and capabilities that some of the young members demonstrate. They seem to believe that their family membership and the surname they carry are more valuable than the insight and business expertise that come through hard work and experience. They don't remember that speed often kills. They also forget that costly experimentation cannot always be camouflaged. This is particularly so if the next generation ventures into an entirely new line of business, that too in an emerging area. The challenge is compounded if the family member has not adequately experienced the value of money.

MANY ROADS TO 'FREEDOM'

Global level research on family businesses in recent times has shown that most next generation members do not wish to join their existing family business. Most often they like to be entrepreneurs on their own terms, at least with respect to the degree of freedom in operations and decision-making. The bottom line for them seems to be 'freedom' in the choice of career, and life in general. This is true in India too. Since opportunities come up in every conceivable way, they have a lot to choose from. Interestingly, there are certain patterns emerging in this resolve to declare or seek 'freedom'.

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A) OCCUPY THE AWAITING KINGDOM AND THRONE:

In several instances, there is only one child to succeed the existing leader. This is particularly true for nuclear families, many of which had earlier been part of traditional joint families. The next generation is poised to take off from where the senior generation has left, like a smooth baton change in a relay race. For instance, Krishna, son of BVR Mohan Reddy of Infotech Enterprises, was well groomed through high quality education and experience over a number of years to lead the company. Similarly, Sharvil Patel was inducted into Zydus Cadila by his father Pankaj Patel as the next-in-command after his doctoral studies in related areas from Johns Hopkins University in the US. Such smooth induction happens when the incumbent has carefully prepared himself to move on completely. Infotech was rechristened as Cyient Limited by Krishna soon after he took over as part of his drive to rebrand and strengthen the company, and the next generation has proven to be worthy of taking over the mantle. In such cases, the next generation feels and enjoys the freedom and responsibility at the same time.

B) FREEDOM PREFERRED WHILE WAITING FOR THE THRONE:

Affluent young members of business families may not always have the throne vacant. They have to wait for their turn even if they are all single children who will eventually inherit the kingdom. This happens either when the incumbent is still very active and/or has no plans of moving out. Besides, seniors feel relaxed with the opportunity of overview they can provide. It is an entirely different matter whether the next generation likes it or has to constantly negotiate to protect the freedom they are entitled to. Sanjiv Goenka's son Shashwat started with growing the Spencer's retail business on his return to India after studies, away from the direct supervision of his father. Similarly, Punit Lalbhai, son of Sanjay Lalbhai, got into a new venture that had limited core links with their established businesses. In rare cases, the younger generation—such as Ananya Birla, daughter of Kumar Mangalam Birla, and Roshni Nadar, daughter of HCL's Shiv Nadar—has started ventures that are in the social space. It is, however, hard to assume a gender dimension to such decisions. Again, there is an underlying push for establishing one's identity away from the strong and large shadow of their parent.

C) TRADITIONAL MINISTERS:

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Highly diversified family business empires controlled by large families have shown yet another model. Here, again, the next generation has underlined its preference for freedom and hard work over comfort under strong controls. The next generation of the four- or five-generation-old Godrej conglomerate has carved out its own niche under the comfortable group umbrella. These niches are at an 'arm's length', which gives them a certain degree of freedom without close operating supervision from their seniors. At the same time, children of the Rs 40,000 crore-TVS family have shown a tendency to take the elevator route to top management positions in existing businesses. These patterns are also strongly influenced by family and business circumstances. For instance, in families with poor interpersonal relationships the urge to become independent may be high, but the journey may not be smooth. Besides, health and financial conditions of the businesses, the level of passion demonstrated, family culture and style of leadership all determine how the pendulum swings.

A SMOOTH JOURNEY

A unique characteristic of a family business is continuity. Members strongly believe in sustaining continuity of family values of stewardship and entrepreneurship. They recognise that every business has its own phases of ups and downs in their long-term lifecycle. In other words, in a world where nothing is permanent except change, good business families embrace entrepreneurship and independent thinking of their young members. They believe that the business is future-looking and the next generation should have an active role in shaping its destiny (https://www.forbesindia.com). Continuity requires vision and competitive strategy for the business. Business families should take stock of the richness of their resource basket and the relevance of the mix of its elements. Let us remember that most elements of such resource baskets will work wonders on well-governed business families. They demonstrate a hunger for growth through the involvement of several family members in different capacities. Individualism and collectivism form a fine balance in such families through a process of mutual consultation. Transition and transformation are smooth in several well-known family businesses because of the clarity and commitment members demonstrate to the cause of stewardship.

DISCUSSION ON THE GEN NEXT ENTREPRENEURS INVIGORATING THEIR FAMILY-BUSINESS CULTURE

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The newer generation in storied companies is unafraid of introducing new ways of running the business. And it's yielding favourable results too. When Anant Goenka rejoined Ceat in 2010—fresh off his MBA and a stint at KEC, his family's power transmission business—the tyre-maker had just come out of a rough patch. Sales were finally recovering, high costs were kept in check and the outsourcing business was given a new fillip. "The aspect of survival was over," recalls Anant, 37, who took over as managing director in 2012. "My predecessor had made some important investments [a greenfield plant and an R&D facility] to take us into the next phase of growth." With its freshly found financial footing, Ceat, part of the RPG Group, set up by Anant's grandfather Rama Prasad Goenka in 1979, would seem an odd candidate for a dramatic cultural overhaul. Yet, that is exactly what the third generation scion did. Or take the case of Nalli, the nine-decade-old, privately held business synonymous with Kanjeevaram silk sarees. "We've always had a culture of operational excellence and entrepreneurship," says Lavanya Nalli, 34, the founder's great-great granddaughter. After spending six years away from the business—at Harvard University, McKinsey, and Myntra—she was able to see the hurdles that were holding Nalli back from exponential growth. In the case of Arvind Ltd too, Sanjay Lalbhai's sons Punit, 36, and Kulin, 32, entered the business about a decade ago and wanted to move from "being a traditional textiles company to a technology company", which would require certain processes to be put in place. "It wasn't so much of a departure from the old way of working," clarifies Kulin, the fifth generation at the company. "My father grew the business from a denim mill to a textiles conglomerate. So that culture of innovation and creativity has always been there. We're just enhancing and building on it." Whether it's a large, wholesale change or an incremental tweak, 'culture' is slow to build and hard to change, especially for companies with a long and storied history. Unlike a new-age startup that can draw out a manifesto of its values and plaster it on the walls of its offices, or offer free yoga classes and beer bashes to encourage a sense of community and out-of-the-box thinking, decades-old family businesses have it tough. What aspects of the culture should be retained? What should be revitalised so as to better resonate with today's contexts, customers and employees? And what about older employees—trusted, but used to set ways—who might resist the change? You need to have a clearly communicated vision

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when looking to change a company's culture, and then you need to ensure the vision trickles down to all employees," says Paul Dupuis, CEO of staffing firm Randstad India. Anant, for one, vouches for this approach. Although the company stood on firmer ground when he took over, employees' mindsets were still geared towards quarterly results. "We had perpetuated a making-sure-we-don't-make-losses kind of mindset, but that was not ambitious enough," he says. "So we asked ourselves, 'What can we do over a five-year period that will make us proud?'" Strategic changes such as diversifying the product mix to focus on tyres for two-wheelers and cars, which have firmer prices and higher pricing power, were necessary, as was a renewed focus on research and development. However, true to the 'culture eats strategy for lunch' adage, Anant knew that a vital change in workplace culture was needed for employees to truly internalise the five-year game plan. Briefly trained in the principles of total quality management (TQM), an idea characterised by excellence in managerial, operational and administrative processes developed by a number of Japanese firms in the 1950s and '60s, Anant decided to put that into effect at Ceat. "It's not as though we didn't have processes in place before we took on the TQM journey," says Raj Moitra, Ceat's vice president of international business, who joined the business in 2010. "The problem was we had short-term, non-structured views on processes, capacity and product planning, which resulted in high profit variances from one quarter to another. Moreover, while we had brilliant individuals in different departments, it was not seen across the board." Ceat's TQM effort started in 2010 and only picked up steam in 2012. The company's vision—that of putting the customer at the core—was clearly communicated to employees and 'quality' was made the job of every employee, not just the 'quality controller' at the end of a production line. This was done by making 'kaizens' or small continuous improvements mandatory for everyone, like improving niggles on the manufacturing front or bettering responses to consumer complaints. "There was resistance initially because it required a lot of documentation," admits Anant. "We really had to spend time educating people to change their mindsets," he says, adding that he has taken on the task of improving patent-filing at Ceat. Already 25 were filed last year, up from five that had been filed over the last 50 years. In recognition of its changing ways, Ceat snapped up the globally recognised Deming Prize for quality management, last year. The

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youngsters at Arvind Ltd, too, are leading from the front. After all, culture change is driven by leadership, points out Tulsi Jayakumar, head of the Family Managed Business programme at SPJIMR. "You have to establish a need for any kind of innovation, and then create a shared vision to bring it to life," says Punit, referring to the slew of new areas Arvind has branched into, including 'technical textiles' such as fire-protection gear and combat clothing, an ecommerce arm that will draw on machine learning to understand consumer preferences, and a cotton growing venture. To foster innovative, "outside-in" thinking, as Kulin puts it, the brothers set up an innovation cell. Clear communication, clear responsibilities and the ownership of projects is stressed on, says Kulin. "We also have a tolerance for failure. Without that you cannot innovate." Currently, in-house innovations such as water-free dyeing of fabrics, making clothing from recycled waste, and using man-made fibres in blends are underway. At Nalli, on returning to the family business in 2015, Lavanya found that decision-making at the company was mostly gut-based. "It didn't always lead to the most optimal outcome," she says. Moreover, because teams weren't nimble enough, arriving at a decision was often slow and tedious. So she started gathering and looking at data to make more informed decisions, and eventually made that data available to employees. "My McKinsey experience exposed me to how Fortune 500 CEOs think about growth, risks and opportunities. I drew on that at Nalli, but I never told our people that this is how it was done at multinationals. It would create immediate resistance," explains Lavanya. Instead, slowly yet deliberately—without trampling on the staff's innate entrepreneurial spirit—she ensured they had access to the right information, at the right time so that they could take the right decisions. Today, whether it's about optimising marketing spends or opening a new store, data-based analyses drive all decision-making at the ₹700-crore Nalli. Lavanya credits this change for the three-fold growth Nalli's ecommerce division has seen, despite no heavy discounts or marketing spends. Private labels have grown too, including a clothing line for 'modern women' to which Lavanya lent her name. "We still have a finger on the pulse of the consumer, and draw on our gut," she says, "but data helps us identify bottlenecks in the business and quickly work around them." Even for a smaller outfit like the Delhi-based Agarwal Packers and Movers, transitioning into a more technology-friendly company can prove difficult.

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Second generation Navneet Agarwal, 25, wanted to integrate IT into the company's everyday operations, but his father Ramesh, 56, was sceptical. "He thought of technology as an expense, rather than an investment," says Navneet. When the senior Agarwal grudgingly relented, Navneet initially piloted a small project of routing all calls received at their call centres across India to a single centre in Delhi, where the staff were trained in best practices. Not only did the number of inquiry calls increase, the conversions doubled as well, says Navneet. Pleased with the outcome, his father allowed him to go full steam ahead with his plans. Today, even field staff use tablets to draw up real-time quotations for goods that need to be packed and transported. "We had to conduct several workshops and training sessions for our staff [to plug the skills gap] but it has all paid off," says Navneet, adding that his father now insists on launching artificial intelligence-based solutions too. "Now that I've seen what technology can do, I've become greedy," chuckles Ramesh. Among Marwaris and Gujaratis, in particular, where the sons marry early and enter the family business at a young age, the age difference between fathers and sons is not much. So it's not as though the skills and experience of the older generation are redundant or irrelevant," says Jayakumar, highlighting the need for pilot projects in such cases. Equally important is winning the trust of employees, especially older ones who might be sceptical, even resistant, to changes. Srinivas Kamath, 34, second-generation scion of Natural Ice Cream, faced this dilemma when he entered the business in 2009. At the time, the company was largely manufacturing-focussed, leaving the retailing to franchises. But Srinivas found that customer service was not up to the mark at these outlets. "I was sifting through email complaints and found that most read the same: 'We visited this outlet, the ice cream was great but…'", recalls Srinivas, shaking his head. "That complete experience for the customer was lacking."

When explaining this to franchise owners proved difficult, Srinivas set up Naturals's own parlours (there was only one at the time in Mumbai, compared to 30 franchised outlets). He wanted to create a more aggressive sales and marketing mindset, yet one that kept the customer at the core. But he knew the company's older employees who had a more "manufacturing and accounting mindset" would not be his torchbearers. So he spun off a separate entity, Kamaths Natural Retail Pvt Ltd, under the parent company, set up a second owned store in Mumbai's Vile Parle and

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hired fresh talent from McDonald's and other QSR chains to learn from their best practices. "We kept the two entities separate so that employees don't clash and feel threatened by one another," he says. The move worked. Better attentiveness to customers led to better sales, so much so that the new outlet raked in double the average daily revenues of franchise outlets, says Srinivas. Seeing the success, older employees eventually came around and started mentoring the newer lot. The latter, in turn, now aspire to positions within the parent company. "For them it's like a promotion into the main company," smiles Srinivas, adding that Naturals now has 14 outlets of its own pan-India, and 115 franchised ones. Sales have gone from ₹30 crore in 2009 to ₹195 crore today, of which 50 crore comes from the retail arm. Srinivas plans to have one Naturals-owned parlour for every four franchised ones. Amorphous as it is, culture matters. Not just as a word thrown around in boardrooms or slogans plastered on company walls. Not even because 'culture eats strategy for lunch', but because culture is, in fact, strategy (https://www.forbesindia.com).

ETHOS BEHIND RENDERING GENNEXT LEADER

With 60 per cent of the family businesses in the third generation, they would need to crack the challenge of nurturing the next generation leaders. The task itself can be viewed in a continuum alongside two scales: one, the capability and the fit of the next generation and two, the presence of a supportive environment.

CAPABILITY AND FIT:

The next-gen's capabilities have to do with their knowledge and skills regarding strategic orientation, customer impact, insights, ability to lead teams and influence change. The "fit', meanwhile, concerns cultural fit with the company's values and vision. Does the next-gen possess the respect, integrity and the value systems associated with the family business?

SUPPORTIVE ENVIRONMENT:

The new generation can develop the necessary leadership qualities comprising of technical skills, IQ, besides the emotional and social intelligence in the presence of a positive family climate, which provides a supportive environment.

The capability-fit/ supportive environment classification can be represented by a grid - the CE matrix. We are likely to find the highest proportion of unsuccessful next-gen

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leaders in the lower left-hand quadrant marked as "U', where the next-gen is characterized by low capability and fit and lack of a supportive environment. The upper quadrant on the right-hand side, marked "HS' shows the highest proportion of successful next-gen leaders. The upper left-hand quadrant marked S, is where the supportive environment provided by the senior generations, together with the nurture and engagement, is likely to create a generation of successful next-gen leaders despite the absence of high capability among the next-gen leadership. Finally, the lower right-hand quadrant, marked X, shows that high capability next-gen family members, in the absence of a supportive environment may either prefer to leave the family business altogether and engage in start-ups or join a corporate.

CASE STUDIES WOMEN IN THE LEADERSHIP ROLES OF FAMILY-OWNED BUSINESSES

The growing presence of women in the leadership roles of family-owned businesses isn't just a trend but a transformative change that is substantiated by real-life examples. Below are some case studies that showcase the impact women are making in Indian family businesses.

ROSHNI NADAR MALHOTRA - HCL CORPORATION

Roshni Nadar Malhotra is the CEO of HCL Corporation and the Chairperson of the CSR Committee. Her transformative leadership has led to HCL's global expansion and diversification into various sectors. She's been featured on Forbes' list of the World's 100 Most Powerful Women, exemplifying her leadership excellence.

ANANYA BIRLA - ADITYA BIRLA GROUP & OWN VENTURES

An entrepreneur in her own right, Ananya Birla has launched ventures like Svatantra Microfinance and Mpower while still actively involved in her family's sprawling conglomerate. A Forbes Asia feature highlights how Ananya successfully marries legacy with innovation.

NISABA GODREJ - GODREJ GROUP

Nisaba Godrej, the Executive Chairperson of Godrej Consumer Products, has redefined the consumer-centric strategies and global expansion routes for the brand. Under her leadership, the company has noted a surge in profitability, as mentioned in an article in the Forbes.

By dynamically fusing leadership transition and generative AI, family

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enterprises create opportunities for the next generation.

The willingness of NextGen to explore new ideas and technology while feeling that they are fighting against the more traditional instincts of the current leadership is a long-standing trend in family businesses. The reality is that each generation has its own capabilities and is working towards the same goal: to secure the business and its legacy. More than 70% of NextGen believe that AI is a powerful force for business transformation, but they are rightly concerned about the ability of their family business to withstand the disruption of generative AI and to capitalise on its opportunities. They are significantly less optimistic than the current generation of leaders about the business's readiness and doubt that the current generation grasps the full potential of AI. The upsides encompass 'unlocking a range of opportunities, including improved products and services, faster time to market, improved decision-making and higher profits,' according to Scott Likens, Global AI and Innovation Technology Leader, PwC US. Family businesses, which typically approach innovation more cautiously than publicly listed companies, do indeed find themselves in a precarious position. Almost half of family businesses (49%) have either prohibited or not yet started to explore AI, and only 7% have implemented it anywhere in the business. In comparison, 32% of all CEOs say they have already implemented AI in their business, and 31% of all CEOs say they have changed their technology strategy as a result of AI. There are solid reasons for this conservative approach. In any business or sector, implementing generative AI is a marathon rather than a sprint. Any company will need to strike the right balance between urgency and prudence: move too slow, and you lose out to your competitors; move too fast, and the risks increase significantly.

FINANCING INNOVATION

Family businesses in particular are rarely technological front-runners. Due in part to their restricted access to capital, as a rule they heavily favour proven technology over emerging tech like generative AI. However, the investment landscape appears to be shifting, and may signal an increased willingness to innovate. Family businesses consistently report healthy growth, with 43% reporting double-digit increases in sales last year, according to research conducted for our Family Business Survey 2023. What's more, private equity has become an increasingly attractive option for family businesses seeking a capital injection, a strategic partner or a rapid exit route. Research by PwC Germany shows that 90% of family businesses would now welcome private equity investment—a significant rise from 2011, when only 18% said the same.

Trust in business and trust in technology are inextricably linked. The rapidly evolving landscape of generative AI places considerable pressure on leaders to make the right decisions for their customers, their employees, the environment and society. Family businesses, which consistently rank as the institutions most trusted to do what's right, are well situated to build trust (https://www.pwc.in).

Family businesses have to observe guard rails as they experiment with generative AI—and they can't afford to get it wrong. According to Scott McLiver, Asia-Pacific generative AI partner, PwC New Zealand: 'The rise of generative AI marks a significant change in how businesses create and capture value. It also casts a spotlight on the resilience and adaptability of family businesses, and puts their enduring trust premium under pressure.'

LEADERSHIP DEVELOPMENT MANTRA DECODED BY INDIAN BUSINESS FAMILIES

To further understand successful transgenerational leadership transitions, one longitudinal study examined the development process followed by 15 prominent Indian business families that had developed their next-generation members into effective business leaders. This qualitative study identified the leadership-building pathways these families adopted to develop their next-gen leaders. These families took a deliberate and systematic approach to their next-gen members' capability building. They ensured that the next-gen leader possessed the requisite skills, knowledge, and mindset to take on leadership roles effectively. This involved identifying and implementing key building blocks that served as the foundation for the growth and development of future leaders. These building blocks encompassed a range of strategies and initiatives designed to shape and mold the next generation. Common patterns emerged from the analysis of these cases.

1. COMMENCE AT AN EARLY AGE

These families initiated the leadership development process at an early age and

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exposed the next-gen members to the business while they were growing up. Starting early introduces the younger generation to the complexities of the business and allows them to gain a closer understanding of both the business operations and the family's role and participation in the business. Such an introduction could involve engaging young members in a school project that pertains to the family business or presenting them with more challenging tasks, such as resolving resource allocation issues for the company. These initial experiences stimulate their cognitive development, enabling them to identify specific aspects of the business that may evoke their interests or deter them. Such exposure assists the rising generation members in aligning their aspirations with the family's future vision, providing clarity, and shaping their career choices. Hence, by offering an early introduction, a process of self-selection among potential future business leaders is set in motion.

2. PROVIDE ACCESS TO TOP-NOTCH EDUCATION

The business families sampled in the study had sent their next-gen members to world-renowned institutions for higher qualifications. These families felt it was crucial to equip the next generation with top-tier education to excel in their chosen paths, whether it be within the family business or any other career they may pursue. This education can encompass business, technical fields, vocational training, or a combination of these. By obtaining a high-quality education, they enhance their knowledge and skills, thereby strengthening their capabilities. This preparation can help them effectively navigate forthcoming challenges in the family business or in their chosen professional endeavors. When the next generation leader possesses the necessary knowledge and skills to run the business, the likelihood of its long-term survival increases. Attending esteemed educational institutions not only broadens their exposure but can also grant them access to a global network of accomplished peers. A robust educational foundation assists them in earning respect and acceptance from individuals both within the family and business and outside of them. It establishes a solid groundwork for embracing leadership responsibilities in the future.

3.OFFER EXTERNAL WORK EXPOSURE

Another significant measure found in common across the sampled business families was to provide opportunities for

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next-gen family members to work outside the comfort of their family businesses. Providing young individuals with opportunities to gain work experience in reputable organizations outside the family business enabled them to acquire knowledge of best practices in business management. It also expanded their exposure to different work environments. However, it is essential to carefully select these external companies. The learning experience of the next generation is greatly enhanced when these firms exhibit progressive organizational cultures and uphold professional practices. By gaining work experience outside of the family business, they can cultivate their abilities to collaborate within teams and develop expertise in analytical problem-solving. Equipping the next generation with these capabilities enables them to confidently assume leadership roles and tackle the intricate challenges inherent in running a family business.

4. ADMISSION ON MERIT

Another important measure these families adopted was to induct next-gen members into business leadership positions only after assessing their merit and preparedness. If found wanting, they were asked to learn and improve further. It is crucial that entry into a family enterprise leadership position is not simply handed to individuals but rather earned by demonstrating exceptional performance based on predetermined, objective criteria. These entry requirements should be clearly communicated to all next-gen members and other family members, perhaps through a family employment policy. This transparency provides clarity and establishes realistic expectations regarding the level of involvement the next generation will have in the business. Implementing a merit-based system ensures that the family business benefits from the inclusion of top-quality individuals. This approach helps mitigate family conflicts and instills a sense of responsibility and commitment to the business among the next generation. An objective entry process also enables next-generation members to earn respect and acceptance from others within and outside the family, further solidifying their standing in the business.

5.ALLOW FOR VERTICAL ADVANCEMENT

The families included in the study inducted their next-gen members into middle-level managerial positions in the business. From those positions, they gained experience and expertise and were gradually moved up to leadership positions. It is important to ensure that next-generation members are not

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immediately assigned top-level leadership positions solely based on family ties but are instead encouraged to join the organization at a level that is commensurate to their qualifications and experience. Subsequently, they could have the opportunity to demonstrate their capabilities and progress up the corporate hierarchy based on merit. This approach enables them to gain a comprehensive understanding of organizational challenges and obstacles, exposes them to different functions and their interconnections, and allows them to foster strong relationships with multiple stakeholders. Consequently, this cultivates the development of next-generation members into adept team players and effective leaders.

RESULT & FINDINGS

The orderly transfer of leadership from one generation to the next is of utmost importance for the enduring prosperity of business organizations. Within the realm of family businesses, many families find it imperative to hand over the reins to capable leaders of the next generation to help ensure the preservation of the family's heritage. Often, the senior generation expresses a lack of confidence in the abilities of the next generation to take over the leadership mantle. This problem is widespread and significant, because over the next decade family enterprises worth several billions of dollars will go through an intergenerational leadership transition. To achieve a successful transition, it is crucial for family enterprises to systematically cultivate the growth and readiness of their next-generation members, equipping them with the necessary skills and knowledge to confront future challenges. There are several fundamental elements of next-generation leadership development that family enterprise clients can adopt to help facilitate this process effectively.

CONCLUSION

Strategy is always context specific. Next generation members should recognise the richness of the family basket without losing humility. Entrepreneurship and speed are required for success, as long as stewardship is practised as a value. Ownership is not only an opportunity but a responsibility, often in more ways than one. A capable and efficient next-generation leadership not only has the potential to enhance business revenues and profits but can also elevate market valuations and strengthen the family and the business's reputation. These 15 families illustrate that a crucial advantage of nurturing a well-prepared next-generation leadership is providing for the longevity and preservation of the family business legacy. As a result, it becomes imperative for senior generation leaders to dedicate substantial and targeted efforts towards the development of their successors in the next generation.

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