ISB | Thomas Schmidheiny Centre for Family Enterprise

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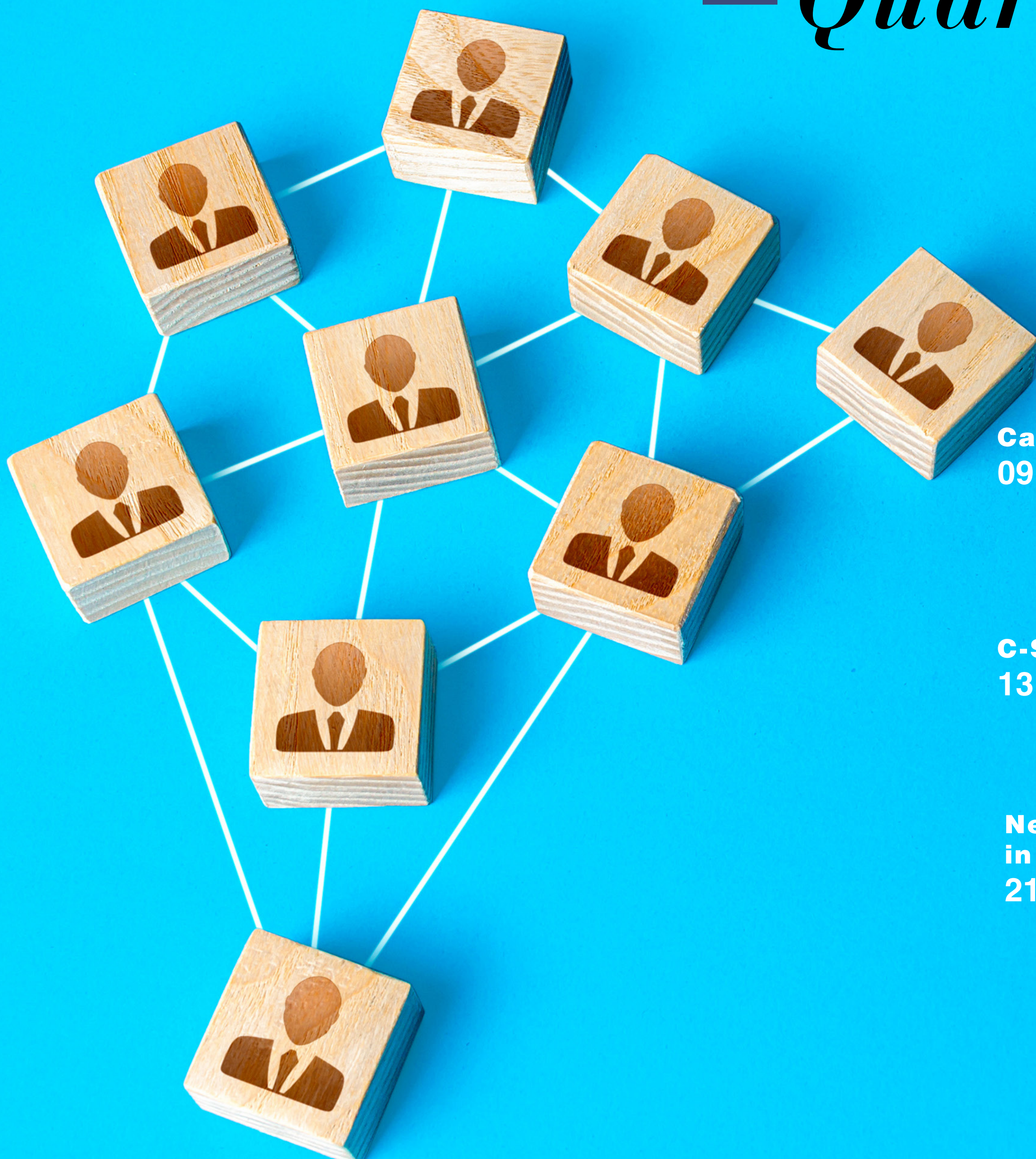
Family Enterprise *Quarterly*



Editors' Desk

We are happy to bring to you the next issue of the Family Enterprise Quarterly (FEQ). The inaugural issue has been very well received by the readers. We are thankful to you all and convey our sincere gratitude to those who were thoughtful enough to share their appreciation, encouragement and suggestions.

We are in the midst of a tumultuous time. The first quarter of 2022 presented a few eventful months. While we seem to have left the surreal living under the perennial threat of COVID 19 pandemic behind, we have been caught in the middle of a futile and avoidable war that has not only been disrupting the global, regional and local economies in the short and medium term, but also threatening to alter the global geopolitics, world order, and trajectory of human civilisational progress for the next many decades.

Sadly during this period we lost Shri Rahul Bajaj, Chairman Emeritus of the Bajaj Auto group, one of the tallest an iconic family business leaders of modern India. As a mark of respect, in the 'Legacy builders from the past' section of this issue of the FEQ, we pay tribute to him. A visionary, patriotic, forthright, and statesman like business leader Shri Bajaj was a founding member of the ISB board and remained a well wisher and mentor of the School until his last breath. No doubt, he left a lasting legacy that would continue to inspire the future generation of business leaders in India.

Several outstanding family business leaders have contributed to this issue. Mr. Ajay Shriram, Chairman and Sr. Managing Director, DCM Shriram Ltd, shares his leadership experiences and invaluable insights on the transformation of DCM Shriram into a

Sougata Ray,
Executive Director,
Thomas Schmidheiny Centre for
Family Enterprise, ISB

long-lasting institution.

In the 'Women in Family Business' section Meher Pudumjee, Chairperson, Thermax Ltd shares her experiences in leading the family business and how it provided her meaning and purpose. Citing examples from her personal life, Meher discusses a variety of challenges women face in successfully managing their professional and family life.

In the 'Next-generation in Family Business' section Dr. Aravind Srinivasan, Chief Medical Officer and Director – Projects, Aravind Eyecare System discusses his experiences and insights of growing Aravind Eyecare, a mission-oriented social venture in eyecare segment. In his inspiring message Aravind emphasizes the importance of next generation leaders to navigate through the resistance offered by the senior generation, which builds their capabilities and help devise robust solutions.

We present a candid interaction with our MFAB Alumni Deepikesh Hira, Head – Special Projects, House of Anita Dongre Family Office in the 'Thoughts from the Alumni' section. Deepikesh shares his journey as a catalyst for change in his family business. In the 'Young Growing Family Business' section Ajith Kumar Rai, Chairman and Managing Director, Suprajit Engineering Ltd describes his entrepreneurial journey and the strategic levers of growth, governance and professionalization that took the business to the next orbit.

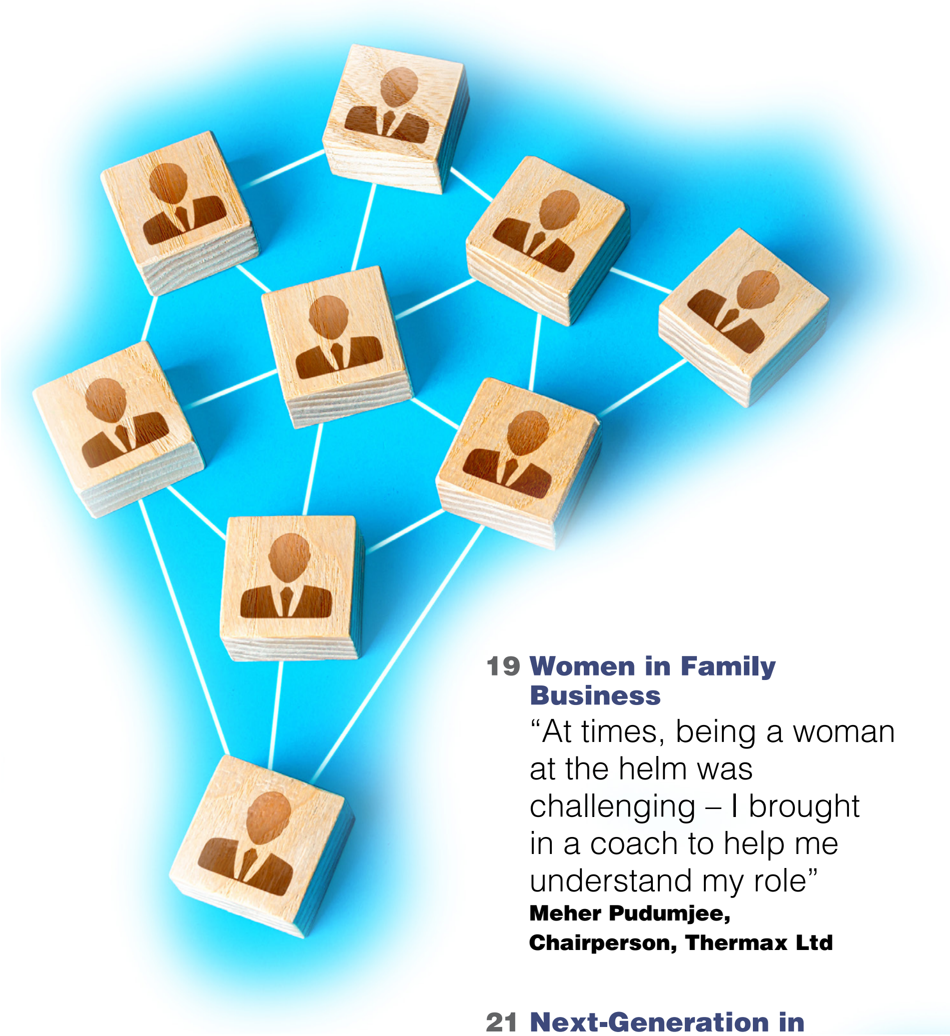
The case study section presents the summary of the inspiring growth journey of Jaipur Rugs, a mid-sized carpet manufacturing and export business that has taken huge strides in sustaining growth and social innovation. Firmly rooted in values and principles, Jaipur Rugs is an inspiring example of how a family business can achieve financial growth while being socially responsible and empathetic towards all stakeholders.

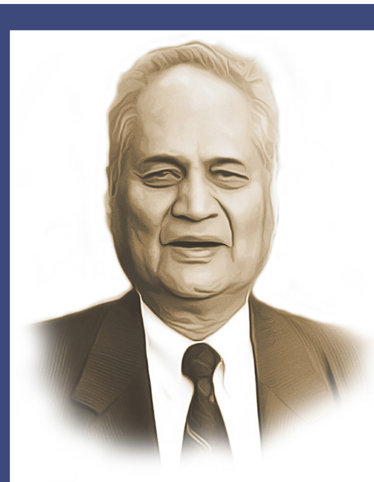
The issue provides summaries of recent research articles with practical implications on a range of human capital issues in family business, such as, family firms' investments in employee friendly policies, lower propensity to lay off employees during economic crisis, and lower cost of debt due to fair employment policies. It also highlights the state-wise distribution of listed family firms in India as in 2021.

Finally, 'From the Bookshelf' section carries a review of the book titled, 'Making of Hero - Four Brothers, Two Wheels and a Revolution that Shaped India.' The review provides a glimpse into building of the Hero group, which the book vividly illustrates with several anecdotes offering rich lessons on family enterprises.

Happy reading! We look forward to your feedback and continued support!

Contents





Induction of Noel and Succession Planning at Tatas

The board of Tata Sons, the group's holding company, passed a special resolution specifying that both Tata Sons and Tata Trusts will be chaired by two separate individuals. The board also approved a fresh five-year term for its current chairman, N Chandrasekharan. In a parallel move, Ratan's cousin Noel Tata has been appointed as a trustee of Dorabjee Tata Trust, one of the two major Tata Trusts, which jointly own about 66% of Tata Sons. The separation of chairmanship in Tata Sons and Tata Trusts is expected to strengthen the synergies and foster cordial relationships between the entities. This decision is also expected to further improve their corporate governance practices. •

Viewpoint by TSCFE@ISB

The decoupling of the chairman's posts at the Tata Trusts and Tata Sons is a decision that is well-thought out and one that will protect the interests of all the stakeholders. It is corporate governance at its best because it will ensure that too much power will not rest with one person.

(Source: The Economic Times, Feb 15, 2022)

The amicable structured division in the TVS group

TVS Group has decided to undertake a corporate restructuring exercise. The four family branches controlling the group (headed by TS Krishna, TS Srinivasan, TS Rajam, and TS Santhanam, respectively), have signed a Memorandum of Family Arrangement (MFA). As per the MFA, each family branch will acquire full ownership of the business vertical they manage. The holding company of the group will also be scrapped as part of this restructuring process. The proposed restructuring arrangement has also obtained approval from the National Company Law Tribunal (NCLT) and is expected to be operationalized within this calendar year. •

(Source: Business Standard, Feb. 12, 2022)

Viewpoint by TSCFE@ISB

Succession is often marred by bitterness and conflict in business families. In contrast, the amicable corporate restructuring of the TVS group demonstrates an alternate mechanism that avoids destruction of wealth and harmony. A well-planned and documented succession process can help business families embrace a division in a more agreeable manner.

JSW joins World Business Council for Sustainable Development

JSW Group, one of India's largest conglomerates, has recently joined the World Business Council for Sustainable Development (WBCSD). The group will be represented by Joint Managing Director and Group CFO, Mr. Seshagiri Rao. He will take part in the WBSCD CFO network, underscoring the commitment of JSW Group to adopt greater transparency and corporate disclosures crucial to improve the ESG performance of companies. The JSW Group has committed to reduce its carbon dioxide emissions by 42 percent by 2030 and become carbon neutral by 2050. •

(Source: Economic Times, Feb 7, 2022)

Viewpoint by TSCFE@ISB

Family business group firms need to adopt sustainable ways of doing business. This decision of the JSW Group is a step in the right direction. It will foster a culture of shared responsibility and inspire other family businesses to adopt sustainable business practices.

Do Family Firms Invest More than Nonfamily Firms in Employee-Friendly Policies?

● Study by Jun-Koo Kang and Jungmin Kim

Family firm is the most prevalent form of business organisation in the world. One-third of S&P 500 and Fortune 500 firms are controlled by business families. Family business literature underscores that active involvement of the owner family and reduced manager - shareholder conflicts help family firms perform better than their non-family peers. However, there is little understanding of how family firms differ from non-family firms in taking care of their salient stakeholders. Since employees are significant stakeholders in determining firm success, the authors investigate whether family firms invest more in employee friendly policies compared to non-family firms. The authors examine this phenomenon using data from 1,563 US firms during the period 1996-2010. This summary briefly describes the study, its findings, and implications for family business.

Long-Term Orientation

The owner family's strong interest and long-term commitment to the business strengthens employees' trust in the firm. This leads to reduced employee turnover and improved loyalty, motivation, and performance. In addition, family firms are known for taking care of employees during industry shocks. Long-term orientation of family firms also limits myopic managerial decision-making caused due to shareholders' demands. In contrast, managers in non-family firms exhibit short-term orientation in decision-making due to market pressures such as, meeting investors' expectations of stock prices, and risk of losing their employment. While market investors aim for short-term gains, the benefits of investment in employee relations and employee friendly policies accrue in the long-term. Therefore, family firms are more likely to adopt employee friendly practices compared to non-family firms.

Agency Costs

Family firms usually have family members either on their board or in the management team. The authors find that at least two family members serve on board positions in 42% of the family firms sampled in this study. This allows them to understand and appreciate the value of intangible assets such as, employee relationships. Stakeholder relationship policies are significantly affected by agency conflicts. Family firms have reduced agency conflicts due to their close monitoring of the firm. Family firms are also less likely to suffer these conflicts because they focus more on stakeholder value and are not limited to shareholder value. In contrast, non-family firms are less likely to invest in intangible assets due to information asymmetry between managers and shareholders. Hence, family firms are more likely to adopt employee friendly practices than non-family firms.

Statistical analysis of data reveals that family firms invest more in employee friendly practices compared to non-family firms, especially where a family member is the CEO or a board director. Also, family firms invest more in employee friendly policies in the early development stages of labour-intensive industries.

Practical Implications

- Family firms must continue to invest in promoting employee relations to retain talent. Sustained oversight by the family is important to ensure this.
- Family firms, especially those led by later-generations or non-family leaders, require continuous efforts to sustain employee-friendly policies developed by the founder. This becomes more significant for firms operating in labour intensive industries.
- Publicly traded family firms must overcome investor pressure and other constraints to investments in employee-friendly policies. This will reduce labour disputes and improve employee morale and productivity. ●

Source:
Management Science (2020), Volume 66, Issue 3, pp. 1300-1324.

Family Firms Amidst the Global Financial Crisis: A Territorial Embeddedness Perspective on Downsizing

● Study by Stefano Amato, Alessia Patuelli, Rodrigo Basco and Nicola Lattanzi

Family business research establishes that family firms treat their employees as important stakeholders. They exhibit greater concern about employee welfare compared to that demonstrated by non-family firms. However, the inclination of family firms towards downsizing in a financial crisis, remains under-examined. In this paper, the authors investigate whether family firms resort to downsizing during an economic crisis. They specifically examine the effect of territorial embeddedness (i.e., the connect with local community) on downsizing. To assess this, the authors analyze data from 3,330 firms across 20 manufacturing industries in Spain during the period of 2002-2015. This summary briefly describes the study and its implications.

Territorial Embeddedness and Family Firms

Family firms are known for their community embeddedness. They are deeply connected to the territory in which they operate. These connections are not just for monetary purposes, but also on account of strong social and emotional ties. The territory signifies the place where they grew up and lived together. It also represents many important milestones in their lives. The owner family's history is also entangled with this space. Due to their long-term orientation family firms are more likely to be engaged with the community stakeholders. They share a common set of culture, values, beliefs, and traditions. The emotional connection with a given area encourages pro-social behaviour of family firms. They are more likely to indulge in philanthropic activities, invest in the community and showcase better corporate social responsibility practices towards the community. Hence, the authors argue that family firms with higher territorial embeddedness are less likely to downsize compared to non-family firms with territorial embeddedness.

Financial Crisis and Family Firms

Disparity exists between how different regions react to the global financial crisis. Some regions showcase better resilience towards economic crisis than others. The reasons for this include the closely knit social fabric in particular areas which foster community social networks that play an important role in dampening the effects of the economic crisis. These are heightened during adverse situations. Similarly, the social and emotional bonds within the family and the community reinforce their belongingness during difficult times. Although the economic crisis justifies downsizing and layoffs, the sense of belongingness within family firms limits them from cutting jobs. Therefore, the authors argue that territorial embeddedness is reinforced during economic downturns, and this prevents family firms from laying-off their employees. The statistical analysis confirmed the arguments made by the authors.

Practical Implications

- Family firms draw multiple advantages and strengths from deep-rooted connect to their local community. Hence, they must maintain a balance between their strategic objectives of business growth, survival and community well-being.
- Especially in the times of crisis, family firms that protect local employment and ensure community well-being, are likely to emerge stronger. This will also help them develop a deeper sense of togetherness among employees and the owner family.
- By adopting pro-social behaviours family firms can strengthen their bonding with the community in which they operate. This will lead to diverse benefits (emotional connect with the brand, distinct identity, and loyalty), which will help them sustain growth in the long-term. ●

Source:
Journal of Business Ethics (2021), pp. 1-24. DOI: 10.1007/s 10551-021-04930-0.

Why do Banks Favor Employee- Friendly Firms?
A Stakeholder-Screening Perspective

● Study by Cuili Qian, Donal Crilly, Ke Wang, and Zeng Wang

Human capital is an essential constituent of a successful organization. Good policies and benefits for employees increase their affective commitment which yield in accomplishing organisational goals. Many firms attempt to adopt better employment policies irrespective of their outcomes. Though scholars have tried to identify the outcomes of employee friendly firms, its indirect or spillover benefits are underexplored. In this article, the authors investigate the effect of fair employee practices on the cost of debt financing. To examine this phenomenon, the authors analyze relevant data between 2003 and 2010 from 1,464 US firms. This summary briefly presents the study and its implications for family firms.

The Cost of Bank Loans

Banks that provide financial capital to firms require a method for selecting the borrower firm. The banks need to trust the firms that they want to involve with. For this, they rely on observable cues that demonstrate the firm's interactions with its other stakeholders. While analyzing the credit risk of the borrowers, banks do not only limit their assessment to future cashflows. They would also evaluate the integrity of the management, skillset of its employees and corporate governance structures. However, the principles that the firm follows, its credibility and commitment towards the lender are not directly observable. Hence, banks look for signals such as employee treatment to assess the risk associated with the borrower. Firms which exhibit fair employee practices are perceived to be trustworthy, low-risk borrowers. Hence, the authors argue that better employee treatment decreases the cost of bank loans.

Long-Term Ownership and Supplier Trust

Long-term institutional investors restrain managers of the firm who may otherwise act in their self-interests. Such investors constrain the short sightedness of its managers. They help the firm reduce agency costs, attain long-term goals, and strengthen its trustworthiness. Similarly, the existence of dependable suppliers for a firm showcases its financial capabilities and signals credibility. Therefore, the authors argue that the effect of fair employee processes on cost of debt is weaker for firms that can demonstrate these alternate signals of trustworthiness.

Relationship with the Banks and Social Capital

Trustworthiness of a borrower firm can be accurately assessed by the bank if it had a prior financial relationship with the firm because information asymmetry is substantially reduced between the lender and borrower. Banks with lower social capital are less sensitive towards the borrower's intent. Hence, the effect of fair employee processes on cost of debt is likely to be weaker when the firm has prior relationship with the lender and if the bank has lower social capital in the community. The statistical analyses of data confirmed the authors' arguments.

Practical Implications

- Devising a strategy to develop fair employment policies is crucial for family firms because it has a direct effect on the cost of debt financing.
- Family firms can strategically leverage the long-term commitment of the owner family and dependable suppliers to demonstrate the trustworthiness of the firm to the lenders.
- Family firms should not limit their assessment of fair employee practices to their direct benefits (such as, productivity or satisfaction) but must also be cognizant of their indirect benefits (such as, debt financing cost). ●

Source:
Organization Science (2021),
Volume 32, Issue 3, pp. 605-624.

State-wise distribution of family firms

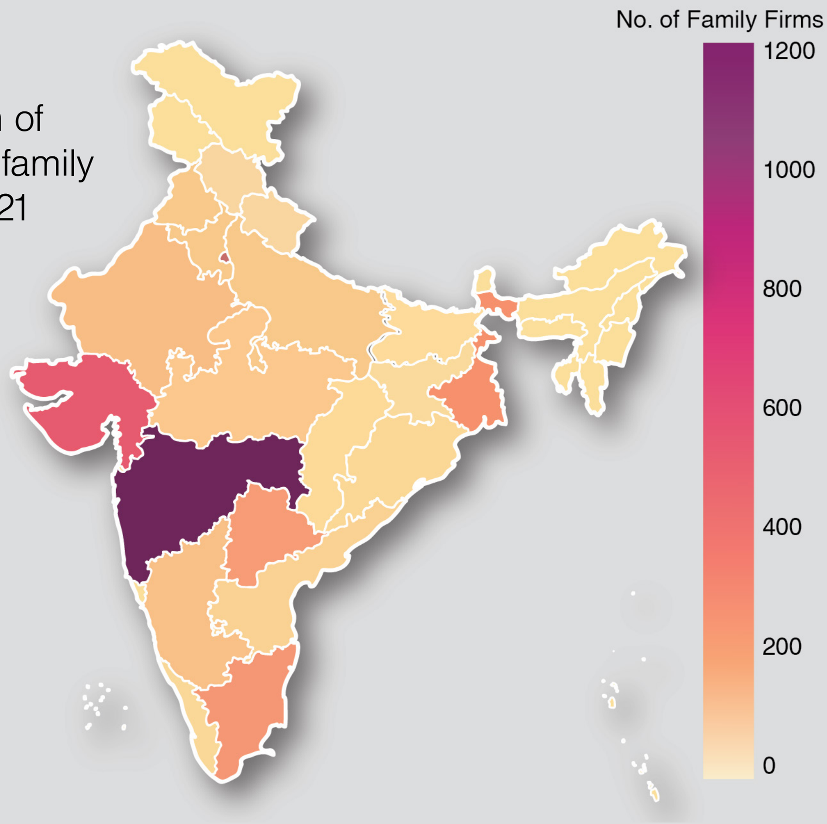
The business landscape in India is dominated by Family Businesses. Few of the family businesses go on to raise money through the equity markets and get listed on the stock exchanges. We look at the state wise distribution of listed family firms in India, in 2021.

Maharashtra, Gujarat, NCT of Delhi, West Bengal, and Tamil Nadu account for 72 percent of the listed firms (Figure 1). It is not surprising that Maharashtra alone accounts for about a third of these firms. The efforts of institutions such as the Gujarat Industrial and Investment Corp (GIIC) and Gujarat State Financial Corp (GSFC) to promote investments in the state and making it a business-friendly state made Gujarat emerge as the state with the second highest number of listed firms.

It is interesting to note that while Gujarat has the second largest number of standalone family firms (SFFs), it ranks fourth in terms of the family business group affiliated firms (FBGFs) (Figures 2 and 3). Tamil Nadu ranks second in terms of the highest number of FBGFs. Tamil Nadu witnessed industrial growth in the 1960s and emerged as a major hub of industries such as auto, auto ancillary, electronics, and textiles.

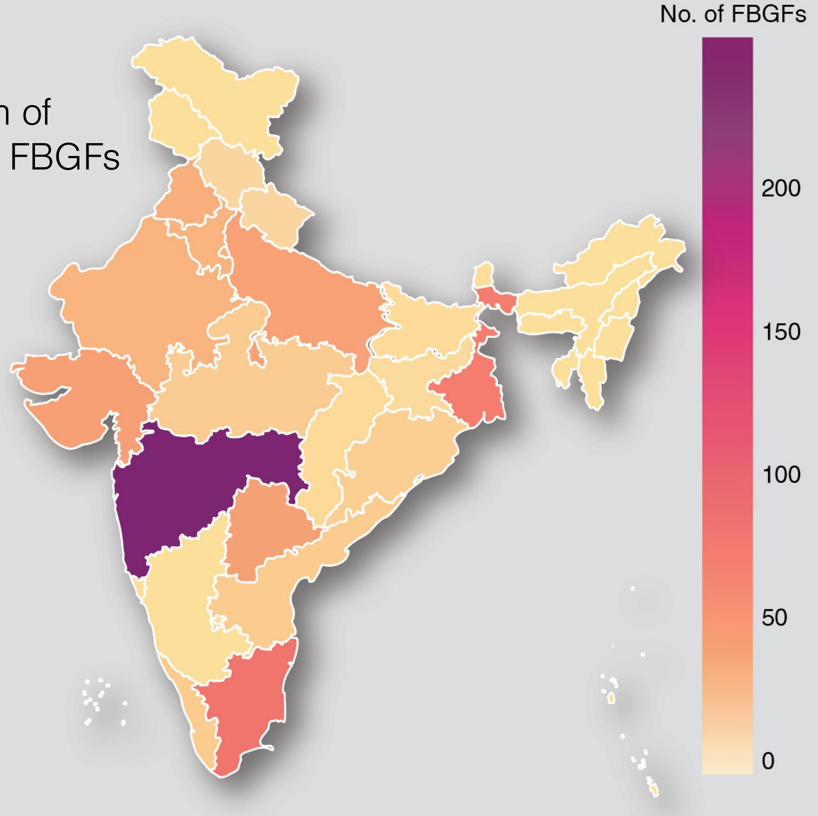
West Bengal has the third largest number of FBGFs and fourth largest number of SFFs despite the overall stagnation and decline faced by the industries in the state. NCT of Delhi has relatively fewer FBGFs, though it has a significantly high number of SFFs. Telangana is another force to reckon with, with large number of listed family firms. ●

FIGURE 1 Distribution of number of family firms in 2021



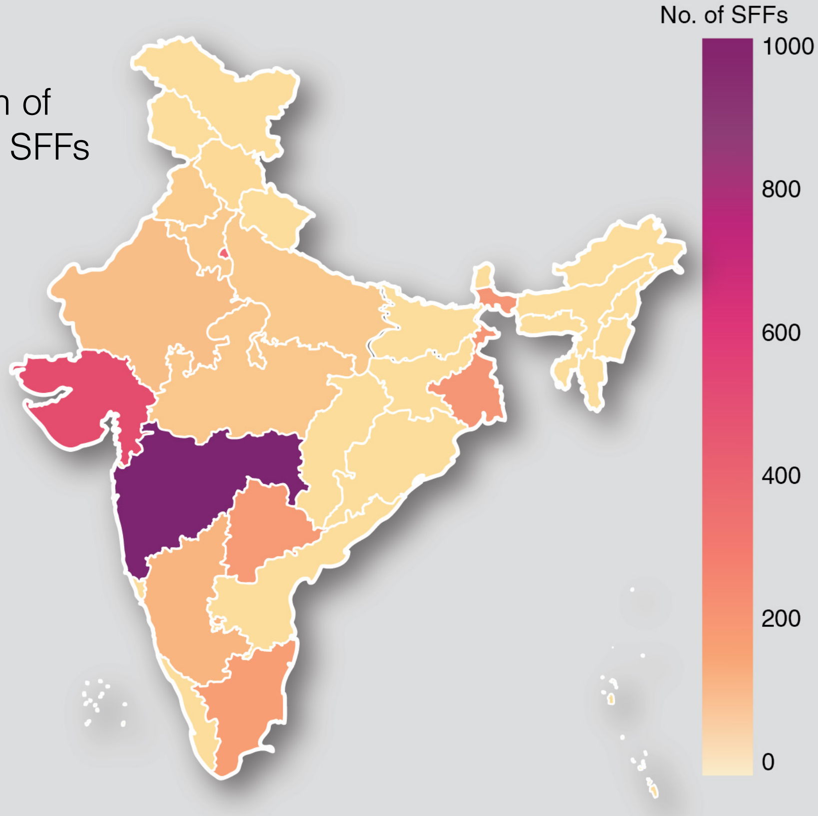
FIGURE

2 Distribution of number of FBGFs in 2021



FIGURE

3 Distribution of number of SFFs in 2021



Case Study

Jaipur Rugs: **Sustaining Social Innovation and Growth**

● Bharagavi Mantravadi and Navneet Bhatnagar

Jaipur Rugs is one of the largest hand-knotted carpet manufacturers in India. It was established by Nand Kishore Chaudhary in 1978. NK Chaudhary chose an entrepreneurial path of his own by purchasing two looms in Churu, Rajasthan. Soon, he realized the growing demand for the hand-crafted rugs across the globe. It was also an opportunity for him to create social impact. Jaipur Rugs, currently sells rugs around the world, and operates with over 40,000 artisans spread across 600 villages in India. The company is headed by NK Chaudhary and his five children are actively involved in managing the business operations.

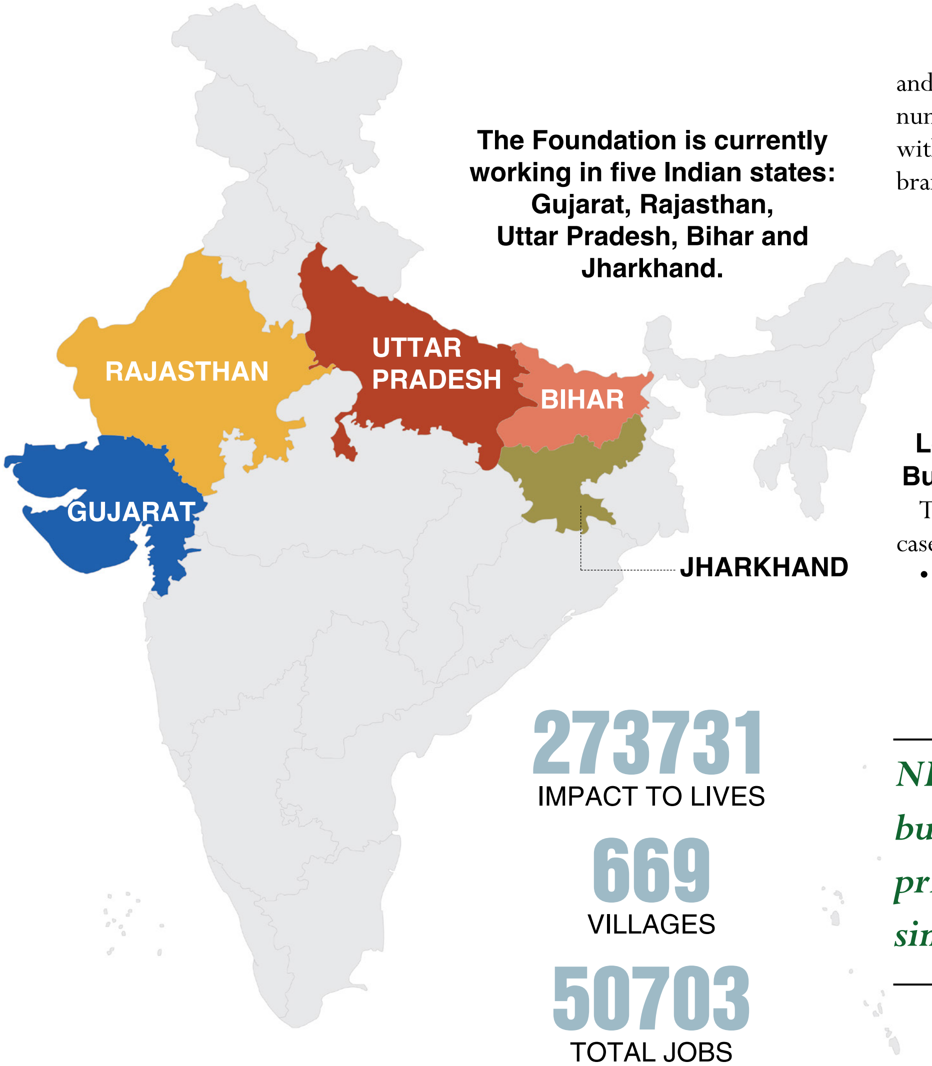
A Humble Beginning

NK Chaudhary invested a small loan of INR 5,000 from his father and hired nine weavers from the socially neglected and poor 'Dalit' community to start his rugs business. He faced backlash from his family and community for his decision to work with Dalits who were at the bottom of social hierarchy in India and considered 'untouchables.' Hence, he is referred to as "the Gandhi of the carpet industry". NK Chaudhary built his business based on the principles of empathy, simplicity, and integrity. Within three years of the firm's inception, Jaipur Rugs prospered and continued to grow by eliminating the middlemen.

In 1989, due to increase in demand, NK Chaudhary moved to Gujarat to leverage the artistry of the tribals in that region. However, communication became a problem, as he needed to be in touch with his weavers. Hence, he established a wireless network there and travelled across India to expand his artisan community. Another challenge was that the artisans lived in remote parts of India and could not commute to work. To resolve this, Jaipur Rugs introduced an innovative idea, "Doorstep Entrepreneurship" which allowed artisans to work from their own homes.

Next Generation and Business Growth

Jaipur Rugs presently consists of three branches, namely, Jaipur Rugs Company, Jaipur Rugs Foundation and Jaipur Living. Jaipur Rugs Company



The Foundation is currently working in five Indian states: Gujarat, Rajasthan, Uttar Pradesh, Bihar and Jharkhand.

273731
IMPACT TO LIVES

669
VILLAGES

50703
TOTAL JOBS

67046
HEALTHCARE

5301
EDUCATION TO RURAL PEOPLE

facilitates the production, export, and sale of rugs from the weavers to customers. Jaipur Rugs Foundation is a non-profit wing that focuses on skill development, education, healthcare, and financial inclusion of the artisans. Jaipur Living is a retail wing of Jaipur Rugs based in Atlanta, Georgia, USA.

All the children of N K Chaudhary have assumed management positions in the business after their education in USA. The elder daughters, Asha and Archana joined Jaipur Living as directors in 2003. The younger sister Kavita and brother Yogesh joined in 2006 as heads of design and sales/marketing respectively, in Jaipur Rugs Company. The youngest son Nitesh has also joined now. The next generation has infused fresh energy into Jaipur Rugs.

Apart from growth, expansion and accolades, Jaipur Rugs still faces numerous challenges. It is competing with several internationally renowned brands in the global market within the niche-luxury segment. This requires maintaining stringent quality standards. Constant innovation in processes and designs are essential to keep up its growth momentum.

Learnings for Family Businesses

The key takeaways from this case are:

- Values and principles are the fundamental building blocks of family business, which need to be imbibed and practiced by successive generations.

NK Chaudhary built his business based on the principles of empathy, simplicity, and integrity.

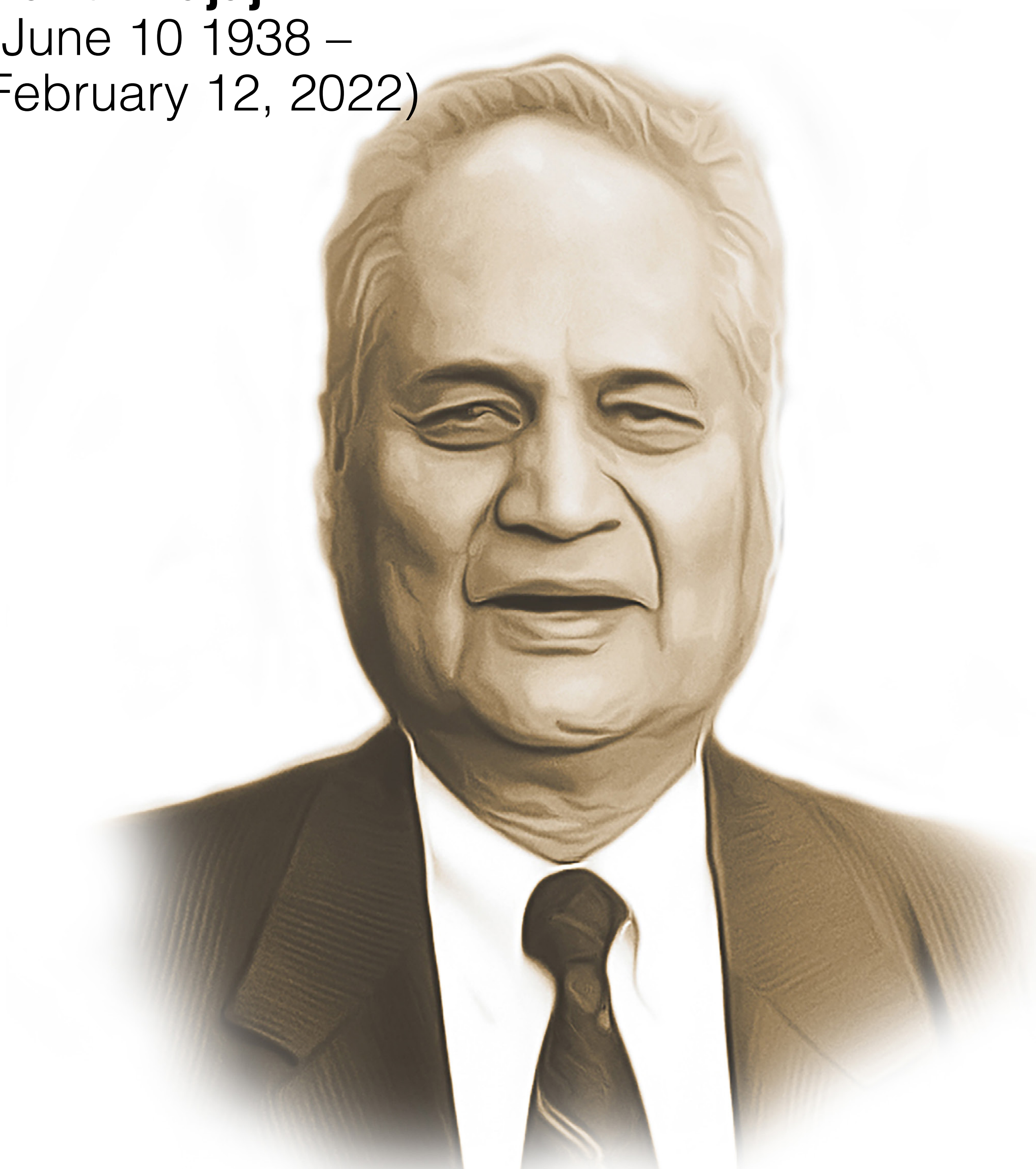
- Regular and timely innovation and empathy towards stakeholders are critical for family business growth and sustenance.
- Next generation capability building and continuity of family legacy rooted in values are important for successful transgenerational entrepreneurship.

Sources:

https://www.jaipurrugs.com/in/about/company

https://www.forbesindia.com/article/social-impact-special-2017/jaipur-rugs-nand-kishore-chaudhary-a-rugs-to-riches-story/49135/1

Rahul Bajaj
(June 10 1938 –
February 12, 2022)



When Rahul Bajaj, chairman emeritus of the Bajaj Group passed away recently at the age of 83 years, the world saw an outpouring of grief. Born on 10 June 1938 to Kamalnayan Bajaj and Savitri Bajaj, he was a third generation member of the Bajaj Group founded in 1926 by freedom fighter and close confidante of Mahatma Gandhi, Jamnalal Bajaj. Rahul Bajaj took the reigns of the group after his father Kamalnayan Bajaj and uncle Ramakrishna Bajaj passed away. After his schooling in Cathedral and John Canon School, Mumbai, he went on to study at St. Stephen's College, Delhi, Government Law College, Mumbai and Harvard Business School. He was married to Rupa Bajaj and they had three children: Rajiv, Sanjiv and Sunaina.

While Rahul Bajaj's contributions through his lifetime is a long list, a few stand out from a family business perspective.

One, under his leadership of the group for over a quarter of a century, the Bajaj Group grew into a large conglomerate with a market capitalization of US$ 118 billion spanning 40 companies and around 36, 000 employees. The group has interests in automobiles (two and three wheelers), financial services, electrical appliances, wind energy and travel. Today, Bajaj Auto is a global leader among three and two wheelers and has market presence in South America, Africa, Middle East and South and South East Asia. For decades, Bajaj scooters were part of the Indian middle class life and work, promoted through its iconic "Hamara Bajaj" advertising slogan.

Two, the demerger and growth of Bajaj Auto and Bajaj FinServe under the leadership of his two sons, Rajiv and Sanjiv, was done in a textbook manner. Even the succession of Niraj Bajaj as the chairman of the Bajaj Group, with Rahul Bajaj becoming the chairman emeritus, was done smoothly.

Three, through his active public life in India and overseas, he made lasting contributions to taking India Inc. global and to economic reforms and policy making, higher education, philanthropy and politics. He was a Member of the Rajya Sabha, chairman of Indian Airlines, chairman of the board of governors of Indian Institute of Technology, Bombay, President of the Confederation of Indian Industry (CII) for an unprecedented two terms and chairman of the International Business Council of the World Economic Forum. He was also a founding member of the Indian School of Business (ISB) and its board member.

"He was among the few stars who created the Indian automotive industry. He was a pioneer who established a culture of quality and technology. He stood for high integrity in business and stuck to his principles."

Venu Srinivasan, Chairman, TVS Motor Company

Finally, Bajaj's generosity and social conscience touched the hearts and minds of lakhs of underprivileged people across the country. He spearheaded the Corporate Social Responsibility (CSR) activities of the Bajaj group of companies and institutions including the Jamnalal Bajaj Foundation and took a personal interest to help those in need.

Awarded the third highest civilian award, Padma Bhushan in 2001, he lived an extraordinary life. ●

Sources:

https://www.bajajgroup.company/
https://www.business-standard.com/article/current-affairs

Ajay Shriram,
Chairman and Sr. Managing Director,
DCM Shriram Ltd

"Building an institution is a **continuous journey**"

Ajay S. Shriram is the Chairman and Sr. Managing Director of DCM Shriram Ltd and Chairman of its subsidiary, Shriram Bioseed Ventures Ltd.

Post his schooling from The Doon School, Dehradun, Shriram obtained a Bachelor's degree in Commerce from Sydenham College, Bombay. He attended various training and management development programmes in India and overseas and participated in the "Programme for Management Development" (PMD) at the Harvard Business School.

Shriram is a Past President of the Confederation of Indian Industry (CII). He is also the Chairman of the Governing Body of Shri Ram College of Commerce (SRCC) and a Trustee of SOS Children's Villages of India. He has been conferred with the Degree of Doctor of Letters (Honoris Causa) by the BML Munjal University.

What are the constituent characteristics of a lasting organisation? How did you transform DCM Shriram into a long-lasting institution?

There are many factors that contribute towards creating a long-lasting organisation. However, some of them are more important than others. These include:

Establishing and practicing a set of core values and beliefs:

These are the pillars which support the DNA of the organisation by defining the behaviour that every employee, including promoters need to integrate in their day-to-day working. We have since the beginning adopted a set of values and beliefs for ourselves, co-created along with the leadership team and employees. We have endeavoured to review them periodically with the changing context and aspirations. Our core values and beliefs are articulated by the acronym…I ACT ON… Integrity, Agility, Customer-centricity, Trust, Openness and Newness. These values are aligned with our processes, including hiring, capability building, performance management and talent and leadership development so that they get firmly embedded and become a way of life for everyone.

Deep family alignment:

The spirit of understanding, trust and inclusiveness within the family is key to creating a lasting, sustainable organisation. We are three brothers who manage the business along with a team of capable professionals. The three of us regularly undertake an off-site with an external behavioural expert, where we spend 3-4 days to introspect, reflect and build alignment amongst ourselves. This exercise is undertaken in an environment of openness, fairness and objectivity. We have also created a Family Constitution and a Family Board with the help of a family governance expert. In addition, members of the family meet regularly over lunch, get-togethers and celebrations so that the spirit of understanding, bond and trust gets continuously re-enforced.

Home-grown leaders:

The company continuously focuses on building leaders from within, who are aligned to the values, culture, ethos and principles of the organisation. Many of our business and functional heads joined us as Management Trainees and then got groomed to take up bigger responsibilities. The home-grown leaders bring ownership and unflinching commitment towards the organisation and live up to the high standards expected from them.

Culture of family and emotional connect:

One of the key differentiating elements of our organisation which we have nurtured very closely has been to build a family culture. A culture which is characterised by care, concern, compassion and connect across all the levels and locations. Respect and human dignity, fairness, apolitical workplace, well-being and personal connect has been a strong value proposition of our organisation. It has led to employees, vendors and customers to build a strong emotional bond with the organisation. During the recent pandemic, the company created a support system to take care of the employees and their families. Families of employees, who unfortunately lost their lives were provided financial assistance.

We treat employees who have left us as our brand ambassadors. We hold an Alumni Event each year in which

Our core values and beliefs are articulated by the acronym…I ACT ON…Integrity, Agility, Customer-centricity, Trust, Openness and Newness

the former employees are invited and updated about the organisation. The entire leadership team also joins the event and connects with the Alumni.

Contemporary knowledge, processes and systems:

Ensuring that processes & systems in the Organisation across business and functions stay contemporary, has been a way of life. We have encouraged our teams to travel and participate in global events to gather new perspectives which can be applied back at the work place. We have sent our leaders to attend Advanced Management Programs at B-Schools like Harvard, Wharton, Stanford, Darden, Michigan and Singapore Management University. We have made substantial investments in the area of IT. That stood us well during the recent lockdowns. Quality, Health and Safety are sacrosanct and we work with the best standards, including the ISO standards, OHSAS 18000, British Safety Council, Dupont and the like.

What are the major learnings from your leadership experiments and experiences?

Our experiences span a wide spectrum and some of the major insights are:

Trust, authenticity and empowerment:

It is important that the relationship is built on the foundation of trust. Trust builds understanding and commitment which impact business outcomes positively. It is necessary that we demonstrate genuineness, authenticity and humility in all relationships.
We also need to make sure that the teams that work for us are fully empowered. This, in a way, is an extension of the trust.

Partner with the best:

It is an investment which ensures that one gets the most contemporary knowledge and solution. Over the years, we have partnered with many global thought leaders and consultants like McKinsey & Company, Boston Consulting Group, AT Kearney, Accenture, SAP, Deloitte, PWC and Willis Towers Watson. They keep you in touch with global realities.

Consensus-led decision-making:

We have always believed in consensus-led decision-making process. It may lead to some delays but it ensures a strong buy-in which leads to effective implementation. We have seen that it brings in diverse perspectives, improves the quality of decisions, communication and gives people the opportunity to influence the outcome. We have created various forums like the Group Management Board, Corporate Management Board, Strategic Business Unit (SBU) Councils which engage team members in the decision-making process.

The company continuously focuses on building leaders from within, who are aligned to the values, culture, ethos and principles of the organisation

Enabling ecosystem:

It is important to ensure that the ecosystem the organisation provides is an enabling one which allows for respect, fairness, objectivity, merit, transparency, trust, openness and ethics. We have seen that we can attract talent to our organisation using our brand but the decision for talent to stay long-term is driven by the experience that they get at the work place. Employees need to be provided with the opportunity to create value for themselves and the organisation.

Blended approach:

We also feel that the approach to managing and running the organisation has to be a blended one. We need to be modern a contemporary in our thought-process as well practice traditional values and ethics.
We take rational commercial decisions and yet maintain strong emotional bonds amongst employees and stakeholders.

What are the key challenges you faced in this transformational journey and how did you address them - both in the business and family?

DCM Shriram was created as a result of a family settlement in 1990. The challenges were many as we were saddled with businesses that we were not familiar with and required a lot of nurturing. So, to start with, there was a sense of urgency to stabilize the company. Since then, our approach has been to grow steadily and carefully. While we may not have set a scorching growth pace, we have grown both organically in our existing line of business plus added new areas where we are confident of success.
It's been rewarding to see most businesses grow in volume and profits. At the same time, it was difficult to

exit a few businesses that didn't seem promising.

How important are next-generation leadership development and succession planning in family business? What measures have you taken to address these in DCM Shriram?

The next-generation leadership development and succession planning is extremely important in any business, both for family members as well as for professionals. Generational change is not just a one off event, it is a continuous process. Therefore, one primary responsibility of the top management is to ensure smooth transition. The next-generation is required to go through a structured process of getting inducted in the business, post their education and getting professional qualifications. We have ensured that the family members get rotated across our various businesses and locations to get a first-hand experience of the operations, people and culture. In the course of the rotations, they are put on assignments, projects, cross-functional teams along with the professionals so that they get grounded and build the confidence to take decisions. Gradually, they are given responsibilities with clear-cut accountabilities. Progressively, they get into leadership roles. Similarly, non-family professionals are hired from leading educational institutions and are inducted into the company with all round exposure. They too rise through the ranks based on their performance and aptitude. We have had the good fortune of family members and professionals working without any distinction and with mutual respect. Frankly, my brothers and I learnt the ropes in a similar fashion. When I look back, I realise how beneficial that hands-on experience was. Mentoring and coaching by senior leaders of the company is ofcourse an ongoing process. They are also encouraged to undertake professional courses and programmes that are relevant to their respective area(s) of work.

DCM Shriram was created as a result of a family settlement in 1990. The challenges were many as we were saddled with businesses that we were not familiar with and required a lot of nurturing

What measures would you advise business families to adopt for building successful family businesses?

Every family business is unique and the measures needed would be contextual. Given this, some hints for a successful family business are:

Family alignment:

It's critical to ensure that there is adequate communication and sharing within the family leaders to build the trust, understanding and alignment. There should be adequate space provided to each family member to leverage the unique perspectives and capabilities.

Strong value system:

A strong value system ensures that there is complete adherence to the beliefs and behaviours, more specifically involving ethics, integrity and respect. Non-adherence can become a major impediment in the way of business growth and progress.

Robust governance mechanism:

The governance mechanism should be aligned with the regulatory framework and progressive corporate governance practices. It's important to see that business is in harmony with contemporary priorities including Environmental, Social and Governance (ESG) and sustainability, diversity and inclusion and human dignity.

Contemporary mindset:

One needs to encourage family members to bring in fresh ideas and allow unlearning where necessary. It enables building an organisation with a growth mindset and resilience, always ready to deal with uncertainties, ambiguities and disruptions.

Committed leadership:

It is important to build a strong team of professional leaders who are committed to the value system and emotionally connected. The leaders provide the continuity to business practices and play a pivotal role in last mile execution.

Finally, my brothers and I have always been committed to taking forward the legacy of our great grandfather, Sir Shriram. Building an institution is a continuous journey. A journey that serves not just business interests but is aligned to the larger societal needs along with a robust governance mechanism. We have been lucky to have inherited such a glorious legacy, and it is incumbent upon us that we nurture it, and pass it on to the next generation. ●

Deepikesh Hira,
Head – Investments,
House of Anita Dongre
Family Office

"My experience at ISB enabled me to realise that the challenges we face as an organisation or a family are not unique to us"

The Mumbai-headquartered House of Anita Dongre today has a central place on the high table of Indian fashion. Founded in the mid-1990s by three siblings – Anita, Meena, and Mukesh - the company has a strong family business DNA, with Anita's brother and sister handling the operations while Anita herself is the Chief Creative Officer. Deepikesh Hira is Anita's nephew and joined the business in 2010 as an executive for business development.

With over a decade of experience in working across domains of business development, investment management, research, legal, due diligence, e-commerce, and digitisation, Deepikesh Hira is adept at working with multiple stakeholders. This, coupled with his time at ISB, where he completed a Management Programme for Family Business, has enabled him to become a better thinker and problem-solver.

What are the learnings and experiences from your journey as a business leader?

My journey as a business leader has taught me several lessons, and the most important of them is to be open-minded and have clear and frank communication in the family. Second, I believe that it is good to be humble as the ego can sometimes come in the way of making good decisions.

Finally, in these changing times, it is also necessary to adapt and be flexible, while, at the same time being open to new ways of thinking as there is a possibility that you may have to change your business model in this VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) world.

Given these, what would your message be to other family business leaders?

I believe that one should bring in outside talent when required, because they can sometimes add greater value to the business than family members. But when delegating, keep controls in place to monitor the progress, and align long-term interests through financial tools like Employee Stock Ownership Plans (ESOPS). One must also celebrate small wins and ensure that teams work together, instead of in silos. It is good to incentivise teams for larger corporate results and not just departmental gains.

To ensure that you continue to remain successful, you need to have a mindset of frugality and paranoia, as you cannot rest on your past laurels.

How is the business funded and managed currently? What is the role of family members?

We were among the early few women's fashion brands in India that financed growth through private equity (PE) funding. Led by the founders till 2015, the family decided to professionalise the business and hired outside professionals at CXO level.. Currently, our family office works independent of the corporate side. We were fortunate to get a PE investor who helped us bring in discipline as we professionalised the business. Our three main brands, AND, Global Desi and Anita Dongre, are sold through nearly 1000 'Points of Sale', including over 250 exclusive brand stores. Of course,

we have a strong online presence too.

Even though the family considerably reduced its operational involvement in business, , we continue to mentor the professional managers on a need basis. We work in coordination with non-family experts like employees, institutional investors and independent directors, to make a holistic assessment of the strategic direction of the business.

Please describe some of the initiatives spearheaded by you that have brought about significant changes to the family business.

One of the activities we have been focusing on as a family for the last 4-5 years is professionalising the business. We also set up an empowered and independent board. We wanted to ensure that the business continues to survive the founders and functions even if the family is not looking into the day-to-day activities. Further, we focused on creating systems and processes for clarity on what needs to be done. We also adopted technology as it will benefit us in the long run. These are some of the areas that I have been involved in.

What has been the role and impact of your ISB experience in your professional journey?

The experience at ISB helped me realise that the challenges we face as an organisation or a family are not unique to us but are common to many other family-owned and managed businesses. It is essential to reach out to organisations and families that have faced similar challenges to learn how they overcame those challenges.

Sometimes one may get so caught up in the day-to-day activities or in achieving the organisation's goals that one forgets to take a step back to see what is happening outside one's organisation. The experience at ISB helped me overcome that limitation.

I believe that it is good to be humble as the ego can sometimes come in the way of making good decisions

Are there any learnings from other family businesses that you would be able to share with us?

Most family businesses face similar challenges. Some of them are ahead of us in finding ways to overcome those obstacles, and we can learn from such experiences. I think it is encouraging for me just to learn that there are solutions available. Even though, sometimes, challenges may look daunting, there are many families that overcame them with the right mindset. •

Meher Pudumjee,
Chairperson, Thermax Ltd

"At times, being a woman at the helm was challenging – **I brought in a coach to help me understand my role**"

Meher Pudumjee is the Chairperson of Thermax Ltd, a Pune-based company focused on providing energy and environment solutions. A postgraduate in Chemical Engineering from the Imperial College of Science & Technology, London, Meher joined Thermax as a trainee engineer in August 1990. A year later, along with her husband Pheroz Pudumjee, they took over the responsibility of turning around a Thermax subsidiary company in the UK.

After her return to India in September 1996, she was appointed on the Board of Directors. In January 2001 she became a non-executive director and was appointed Vice Chairperson in 2002. During this period she played an active role in the turnaround of Thermax. She took over as Chairperson on October 5, 2004, after the retirement of her mother Anu Aga.

Meher has a keen interest in music, especially western classical and is a member of a Pune-based choir. She lives in Pune with her husband and two children.

What are the major challenges women face in successfully managing professional and family life?

Women have faced many challenges over the years, trying to be successful at both work and in their personal family lives. Depending on the phase of life, challenges differ. When one is young and single, you have a lot more time to delve into work, travel, attend meetings after office hours and over weekends. Once married and you start a family, there are different pressures – whether from in-laws, husband or just managing young kids, especially if there is little family support.

I am not the typical example, since I am part of the family in a family business. However, when we were working in the UK and we had our first child, I had to complete my work by 3 p.m., since the babysitter only had that much time. Initially, I thought it would be extremely difficult to cope, since I was used to spending 12 hours at work; but once I picked up the art of prioritising my time, life became a lot easier.

When I would pick up the phone to answer a sales call, invariably the person at the other end would want to speak to a "salesman", since they found it uncomfortable talking about buying capital goods with a lady – but I would try not to let that bother me.

As my kids were growing up, I remember shamelessly delegating to my in-laws (at the time, my mother was working too) or to friends, to take them for a birthday party or for a playdate. But when it came to taking them to the doctor, attending Parent Teacher Association (PTA) meetings or a concert at school, I was always there.

It's difficult for women who take a long break to bring up kids, to get back to work. Many women have to sacrifice their positions within the organisation and it takes that much longer climbing the corporate ladder.

Organisations that are keen to enhance gender diversity have to learn to be flexible, not just to women, but men too. Thankfully, Covid-19 has brought in the possibility of hybrid working, which to my mind is an opportunity to enhance the enrolment of women within organisations.

On the role of women as family business owners, directors and executives, what are the learnings from your entry into the family business and acceptance by the family?

Initially, it was difficult for my in-laws to accept that I would be at work, often until late in the evenings, on birthdays; travelling all over the place; not paying too much attention to the home. But, over time, they realised that my work was important to me – it gave me meaning and purpose. Keeping a perfect home or making sure I was there for every dinner party, was not my kind of fun.

They were an incredible support and I had a very open relationship with them. My husband Pheroz has been my strongest support within the family and would, more often than not, take up for me. I've also learnt not to sweat the small stuff – keeping an immaculate home, turning out the best of food are not my forte – and that's ok.

At work, when I took over as Chairperson, I was 37, with most people in their 40's and 50's. At times, being a woman at the helm was challenging – I brought in a coach to help me understand my role, which was incredibly useful. However, I found that most people, whether within Thermax or outside, within CII or other forums, went out of their way to help and support me. They were keen to see me successful, which was very comforting.

Organisations that are keen to enhance gender diversity have to learn to be flexible, not just to women, but men too

Describe Thermax' sustainability journey over the generations and its growing importance into the future.

Sustainability of a business can be defined under environmental sustainability, social sustainability, sustainability of the family over the generations and so on. Here we are talking about the role the family has played in a family business called Thermax. My grandfather started the business in the 1960's with a very strong social conscience, envisioning a human enterprise that is built with a lot of care, trust, freedom, fighting against poverty, communalism, despondency and indolence; treading the path of simplicity and being oneself at all times. My father (his son-in- law) and all the generations that followed, believed in a lot of these principles and grew the organisation organically into an energy and environment major spanning its wings internationally, getting into many different businesses after India opened up in 1991. Unfortunately, he passed away very suddenly, which is when my mother stepped into his shoes. She went through a tough time, since towards the end of the 1990's, Thermax made a loss for the first time. She had to take very tough decisions alongwith external help as well as help and support from the family and senior management - like separating ownership from management, bringing in a non-family professional CEO, a professional Board of predominantly independent directors who could support the CEO and finally turning around the company into a growth-oriented enterprise.

My husband Pheroz and I joined the company as executives in 1990/91. My brother Kurush had just started working in Thermax, when he passed away in a car accident at the age of 25. The family and the organisation went through some very difficult challenges, both personally and professionally.

Upon Anu Agha's retirement in 2004, the board appointed me as Chair. Pheroz and I along with the Board and senior management are moving the direction of the organisation towards a far greener, cleaner one, focusing on clean energy, clean water and clean air. Although not involved in day-to-day operations, we work alongside our MD&CEO on strategies for the future, with an eye on values and culture.

Our kids, (fourth generation) Zahaan, 26, and Lea, 23, have joined Thermax in our subsidiary companies as executives, learning the ropes so that they too can become "responsible trustees" of this fine institution. ●

Dr. Aravind Srinivasan,
Chief Medical Officer and Director – Projects,
Aravind Eyecare System

“Adherence to our purpose helped keep the **founding generation and the next generation grounded**”

Dr. Aravind Srinivasan graduated in medicine from PSG Institute of Medical Sciences, Coimbatore in 1992 and completed his Masters in Ophthalmology from Aravind Eye Institute and Postgraduate Institute of Ophthalmology, Madurai in 1996. Having worked in the medical field, he had a passion for management. In 2000, he did his MBA with specialisation in Strategy from the University of Michigan, Ann Arbor, USA. From 2011, he is serving the organisation as Director-Projects of Aravind Eye Care System, is on the Board of Govel Trust that runs the Aravind Eye Hospitals and from September 2017, he is leading the Aravind Eye Hospital, Chennai as Chief Medical Officer. Excerpts from an interview with **Family Enterprise Quarterly**:

Aravind Eyecare has transformed itself in many ways in recent years. What has been your role as a catalyst for the significant change and growth initiatives the group has embarked upon?

One immediate thought that comes to my mind is the adherence to purpose. You know, I was in many ways a rebel. I became an ophthalmologist, a high-volume surgeon, and then decided to do my MBA. Like most MBAs who are restless, I was restless too. Fortunately, some good opportunities came by, like the setting up of a hospital in Kolkata with a business partner. While that took me away from Madurai for sometime, I continued to carry out my responsibilities at Madurai even while in Kolkata. All these gave me a tremendous opportunity to prove myself to do what needs to be done and also reassure myself to the adherence to the concept of ‘purpose’. That is something that the founding generation was and is very much particular about. I would say, for want of a better word that there is a creative tension between the founding generation that is trying to assert themselves on things that they felt was going beyond the purpose and people like me trying to push the boundaries. But the only thing that kept both of us grounded was adherence to the purpose.

Although there were many instances when I felt frustrated, looking back, I feel the resistance they offered, built character. And, I’m also thankful that I had the patience and wisdom not to disrupt too much, because if you push it a little further, it will lead to destruction.

The second aspect of my role as a catalyst relates to building one’s credibility outside our ecosystem like setting up the Kolkata institution, the community centres and the secondary centres -- which was an idea that I had come up with.

My lessons and my wisdom comes from this journey from say 2000 onwards. During this time, the organisation has grown significantly but we did have many challenges. And with scale comes responsibility. Today, we are responsible for a 100 million patient population.

How did your MBA and structured management understanding help in building strategic capabilities?

The MBA helped me in a few ways. The two years at Michigan was a period of deep reflection. The course itself taught me about larger organisational strategy, frameworks and tools, and when I came back, people saw me in

a different light because I had greater credibility. Getting an MBA from one of the good schools, rather than a run-of-the-mill business school was also helpful. Additionally, the management degree honed my ability to communicate, to ask the right questions and understand the different aspects of an organisation like human resources and finance. As you keep learning over a period of time, you also gain experience. My studies in the US helped me to channelise my restless energy in a proper way.

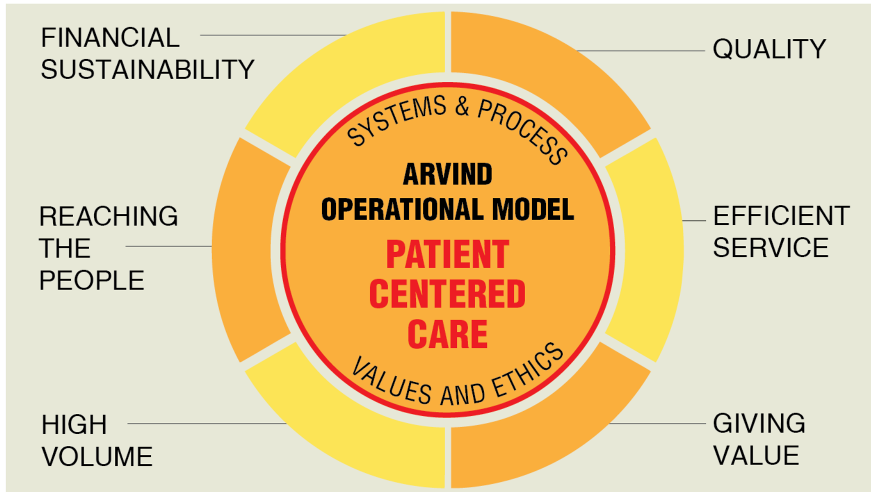
My studies in the US helped me to channelise my restless energy in a proper way

How was your experience of being guided by senior non-family mentors, who had worked with other family businesses? Did it give you some insights on how to deal with the older generation?

Yes, absolutely. I could see how generations have built those organisations and the reverence they had for legacy. I was a young guy of about 32 years and then you want to appear smart and say the right thing. But now I realise that it is not wise to do that and if you are wise, people will recognise it. But, back then, I did not have the wisdom to understand that. All those mentors definitely did shape my thinking.

On another note, how do you nurture and retain non-family doctors and other non-medical professionals, with many of them being life-timers?

I think, one factor is the consistency



in whatever we do, especially when it comes to human resources. When it comes to critical resources like doctors and others, the organisation has a certain level of standards and well-articulated position, like, we want to give the best technology to our patients, that we want to keep a transparent system, we want affordable care and that we need to do a certain amount of service to the community free of cost.

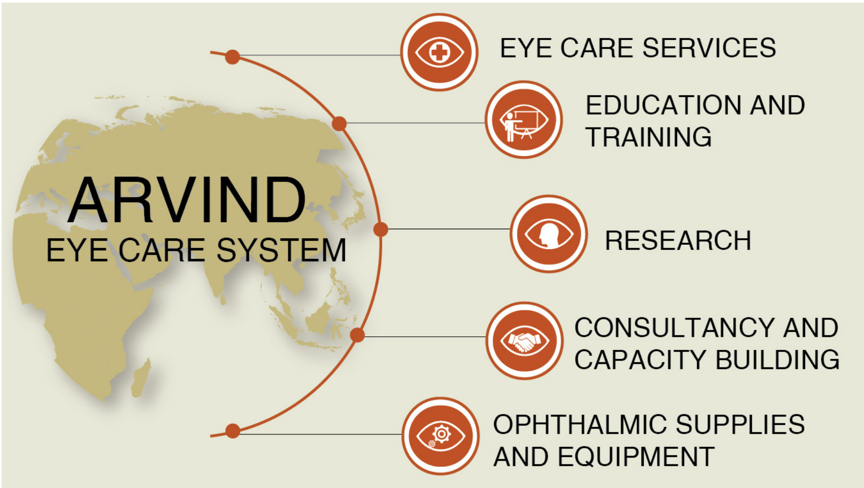
We have family retreats and facilitate active communication between multiple generations

Both Type-A and Type-B personalities are comfortable in our organisation. The former who are restless and entrepreneurial get many opportunities to contribute to the organisation. Additionally, their career is watched and developed over the years. Type-B personalities are the long distance runners and they are also comfortable in an ecosystem where their salaries are only, in say, the ninetieth percentile of the scale.

Your generation has been groomed through a combination of serendipity and trial and error. Going forward, is there a different approach that you are following in grooming the next generation?

We definitely have a trajectory for clinical growth, which is much more organised than what we had before. For example, today, every doctor who comes out from the founding family has to work three years in a small community hospital managing it individually. Most of them go through it, some of them can't, or are unable to do it because of limitations in their behaviours and attitudes. We have about 50 surgeons from the family in the group. We arrange mentors to talk to them, have family retreats and facilitate active communication between multiple generations.

Finally, one of the big things that has helped us to be united is the absolute transparency in what each of the family members take home as salaries and wealth. Unless you are part of the organisation and contributing to its growth, you don't get dividends. These rules are well set now.



How do you nurture a next-generation family member who wants to champion something very new which your generation has not thought about?

Two of my cousins who showed some good leadership capabilities were enrolled in an Aspen Leadership Program. Outliers get such opportunities. But having said that, outliers have to be constrained as well. That's what I experienced when I was constrained by people saying no to some of my ideas. A viable seed has to be put in the soil and tightly packed and it is with that resistance that the seed can grow. Resistance builds a certain DNA which helps you to grow much more strongly. So I think that is what our generation needs to understand. In our generation, it happened much more organically, but in the next generation, we will have to make it into a structured format, give them opportunities and, at the same time allow them to fail.

One final question. From your wonderful career and life experiences, what would your lessons be for other business families with regard to next-generation leadership?

> *You have to meander your way through life and learn from life's experiences*

I don't know whether I have the wisdom to share insights to other business families, but what I would think best for the younger people is that when they get no for an answer from the older generation, they have to have the wisdom to accept it. These are people who want you to be successful. You have to respect the architecture of the organisation. I'm again and again articulating this, because for me, the 'No' made me think a lot deeper. The 'No' (from the senior generation) made me build alliances with people, build partnerships within the family and build a certain level of credibility which I would not have been able to build alone.

If put a stop to running water, the water finds another way. And that might be a very innovative way, a very interesting way. You have to meander your way through life and learn from life's experiences. ●

Ajith Kumar Rai,
Chairman and Managing Director,
Suprajit Engineering Ltd

"Persistent efforts to excel and gain customers' trust **have been the key success factors in our internationalisation efforts**"

Suprajit Engineering Ltd (SEL) was established in 1985 by Ajith Kumar Rai and started manufacturing high quality liner cables for the automotive industry in 1987. Today, it caters to a wide spectrum of automotive and non-automotive cable requirements and has achieved phenomenal growth, making it India's largest manufacturer of automotive cables. Excerpts from an exclusive interview:

Please describe your entrepreneurial journey in brief?

I hail from a lower middle class family in a small village nearly 50 kilometres from Mangalore. My upbringing was modest, but after my graduate engineering in India, I did my Masters in Industrial Engineering in Canada. I came back in 1984 to India to start my own company. There were license control issues and other difficulties, but we started Suprajit Engineering as a 100 per cent family-owned firm. With the project cost of about Rs 60 lakhs, we had a modest equity of Rs 6 lakhs and even to raise that, I had to go all over the place.

TVS had launched their bike IND Suzuki in 1983 and were importing parts from Japan. They wanted to localise the components and we came into the picture for making cables. We started with a technical collaboration with a Taiwanese company; I got trained in Taiwan and was a one-man army. To deliver on time, right quality and by the quantum required was a huge challenge. But I was pretty ambitious and wanted to enhance our presence.

> ***People in the organisation should have the trust that they can depend on this family to do the right things***

What are the strategic levers of growth to take your family business to the next level?

The strategic thought process in my mind is to grow our business profitably. We began de-risking the business and focused on profitable growth which stood the test of time. Today, we are a much larger, much wider and much more diversified business, but the motto remains the same.

With changes in technology worldwide, we remain with the current and new set of products to meet customer requirements. About a year ago, we moved to a new, much larger and standalone premise, only for the development of new products. It will drive as a lever for the future, and we have quite a few future-ready products. We are trying to specialise in mechatronics, electronic clusters, and certain very specialised mechanical products.

What were some of the critical systems and processes developed in the initial phase that helped Suprajit transform into a much larger organisation?

We needed to eliminate a key-man risk for the enterprise where everything should not depend on me. I brought in management bandwidth, which is essential as family members try to hold on to key positions within the company.

We have a professional Managing Director too. We have 20 plants across India with another four to five outside the country and a tech centre in Detroit. When you are growing beyond India, it's important to understand the cultural issues as our systems and culture may be different. We needed to set up boundaries for each individual CXO or President or Vice President to operate from, and then we have to let them play. We can't do that in a backseat driving mode. We should also trust them and, trust, as we know is a two-way street. People in the organisation should have the trust that they can depend on this family to do the right things.

Can you elaborate how corporate governance and professionalization were institutionalised at Suprajit Engineering?

We are an owner-driven, professionally-managed company. We look at what is good for the company froma 5 to 10 year timeframe rather than for the next two quarters. In terms of governance, we put the KPIs (key performance indices) in various activities right from an employee in a division and a unit. We have a whistle blower portal where one can raise incognito raise an issue to the chief strategy officer. We have put our checks and balances in place as we have plants in four or five countries and we expect them to set standards for themselves.

Corporate governance has evolved with time. It is a journey of self-actualisation and self-realisation, and what is good for the shareholder is also good for me. With time, the governance rules kept progressing. The independent board looks at what is good for the shareholders; so we always have had majority of independent directors.

> ***Corporate governance has evolved with time. It is a journey of self-actualisation and self-realisation***

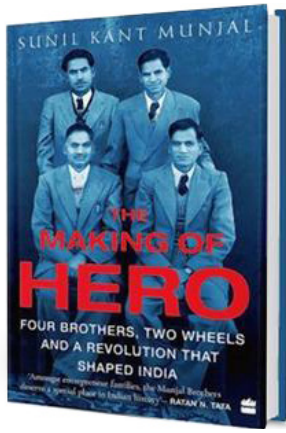
Your internationalisation efforts are remarkable. From being a supplier to TVS, to now supplying to the German automakers. What learnings and insights can you share with Indian family businesses aspiring to internationalise?

I had the self-belief that we can do as well as anybody else. After 10 years, I was already number one in India. Then I needed to go out of the country, as there was no way I can be number one in India and not excel worldwide. I kept challenging our team and the customer asked us to be the best in class competition. We know that our product is as good as anybody else's and we have gone beyond what the competition is doing.

Any lessons from the Germans that you might have learned?

I would say that we have learnt from both Germans and Japanese. Japanese are sticklers for small things and they take a long time to give approvals. The process is sometimes frustrating, but you need to work with them. Germans are very precise. It takes a while to convince them but once they believe that you are capable of doing something, then it is good.

I still remember, the approval to supply cables to BMW took nearly two to three years and maybe five or six audits. They had never bought a cable from a third world or a developing country, in their entire history. We are the first cable supplier outside of the European Union to supply them cables. Today, we have a big account with BMW. So, persistent efforts to excel and gaining customers' trust have been key success factors in our internationalisation efforts. ●



THE MAKING OF HERO
Four Brothers, Two Wheels and a Revolution That Shaped India
Sunil Kant Munjal
Publisher: Harper Business
Pages: 221
Price: Rs 699

There are a number of large Indian family business houses today that emerged from the embers of the country's Partition in 1947. Lala Sriram of Delhi Cloth Mills (DCM), Raunaq Singh of Apollo Tyres and H.P. Nanda of Escorts are some of those who fled to India bag and baggage from towns and villages which are now in Pakistan and set up large businesses that went on to become large business groups. Brijmohan Lall Munjal and his three brothers Dayanand, Satyanand and Om Prakash also fall in this illustrious group which built the House of Munjals. The Making of Hero by Sunil Kant Munjal is a definitive account of how the four brothers who left the small town of Kamalia grew from their small initial bases in Ludhiana and Agra to become one of the largest business groups in the country.

The book has several interesting and unique facets to it. Its authorship by a senior member of the family gives an insider perspective that is difficult to get otherwise. The book focuses on the contribution of all the four Munjal brothers in the making of the Hero Group. It is replete with many anecdotes and nuggets of information. For example, it details the story of how the Munjals acquired the 'Hero' brand without any cost from one of their suppliers Kareem Deen who used to manufacture bicycle saddles and was preparing to shift to Pakistan.

The Making of Hero has rich lessons in a variety of spheres for other family business groups

The Making of Hero has rich lessons in a variety of spheres for other family business groups. At a time in the 2000's when many Indian family business groups went through fratricidal splits, the book reports how business families can manage divisions fairly and amicably. It is also a good account in scaling up businesses: from a small bicycle parts shop to become the largest bicycle manufacturer in the world as well getting into the global pole position as a motorcycle manufacturer. One of the key pillars of family businesses worldwide is philanthropy. There is an entire chapter on how the Hero Group has created a vast social imprint especially in the areas of healthcare and education.

The Hero journey is clearly not one without bumps along the road. But the learning here is about how these difficulties were managed and overcome through resilience, transparency and kindness. For example, devastated by the untimely death of Brijmohan Lall's eldest son Raman Kant at the age of 42 in 1991, the patriarch coaxed his daughter-in-law Renu to come to office with him every day so that she may tide over the loss of her husband with dignity and self-worth.

There is so much more that the book packs in which cannot be captured in this short review. Therefore, it makes ample sense that the only way to get the whole picture is by fully reading The Making of Hero. •

Indian School of Business

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