

News monitored for: ISB



# For local family businesses, global play a big issue

Firms showing resilience in crisis, but need to innovate, invest, retain talent and ensure good corporate governance to survive, says survey

**Promit Mukherjee** : MUMBAI

Family-owned businesses the world over have stood the test of time, by and large, through conflicts, stress, growth and success.

And so they will be in the foreseeable future, believes PricewaterhouseCoopers.

Indeed, these firms are a resilient model for the 21st century and have a bigger chance of surviving the economic downturn than other firms, the global consulting firm says in a report based on a survey of 1,952 family-owned businesses across 30 countries.

There are worries galore, too, says the report.

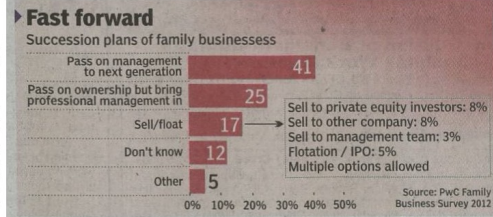
With the world in a seemingly unending crisis, a big question is how to adapt to a situation that's changing at breakneck speed. Should they hold on to their ethos and continue to serve their own local markets, or take the risk of ven-

turing into uncharted waters?

While the survey does not categorise family businesses based on the markets they operate in, it says they need to take risks, innovate and go global.

Retention of talent, investment in technology and method of transition from one generation to the other and above all, good corporate governance, are vital aspects that need to be carefully handled, says the report.

"The issue that emerges more strongly for 2017 and beyond is that of globalisation. There is clear apprehension about the impact of an ever more international approach to business, and the growing power of global megabrands, though many businesses remain confident that local knowledge, agility, and the ability to exploit profitable niches will keep the family business buoyant," Norbert Winkeljohann, member of PwC's



network leadership team, Germany, and Eric Andrew, global network middle market leader, Canada note in the report.

According to the duo, globalisation will be crucial to the success or failure of family businesses, going forward.

Other experts appear to concur. Professor Kavil Ramachandran, an expert in family business at the Indian School of Business, Hyderabad, agrees that going global

will benefit family businesses in India, though it has its own risks. "A major benefit of going abroad is the 'growing up' they will achieve within a short time; but it has its own challenges too. So, they should weigh the pros and cons of each opportunity and see the alignment with the company strategy."

Winkeljohann and Andrew note in the report that while a weak economy remains a major cause for

concern, innovation and retention of talent can help these companies to stay competitive in the fierce world of professionally managed companies.

The challenge for family firms in emerging economies is the same, believes Ramachandran. "Indian family businesses are undergoing huge transformation through greater realisation of the need to have better governance and professionalism," he says, citing the example of Dabur, Murugappa and Godrej as firms that have brought in a level of professionalism and governance that has helped them glued as one and avoid a split.

The PwC report, too, quotes an Indian-owned family-firm as saying corporate governance is what is lacking in family firms in India. "Corporate governance standards are an issue - if we want to grow, then our standards will need to be up to speed with international best

practice - in India the majority are not up to speed."

According to the report, good corporate governance practices will also help these companies to withstand and resolve internal conflicts that usually arise in family firms. A successful negotiation of scale, skill and succession can help these players in long-term growth and profitability.

"Over 80% of the businesses we spoke to anticipate steady or aggressive growth in the next five years, and 39% of those who aim to grow are very confident about their company's prospects over that period. This increases substantially for companies in India, the Middle East, Singapore, South Africa, and South Korea," says the report. According to it, this is a powerful proof of the significant role family businesses can play in creating jobs and stimulating recovery.

[m\\_promit@dnaindia.net](mailto:m_promit@dnaindia.net)