

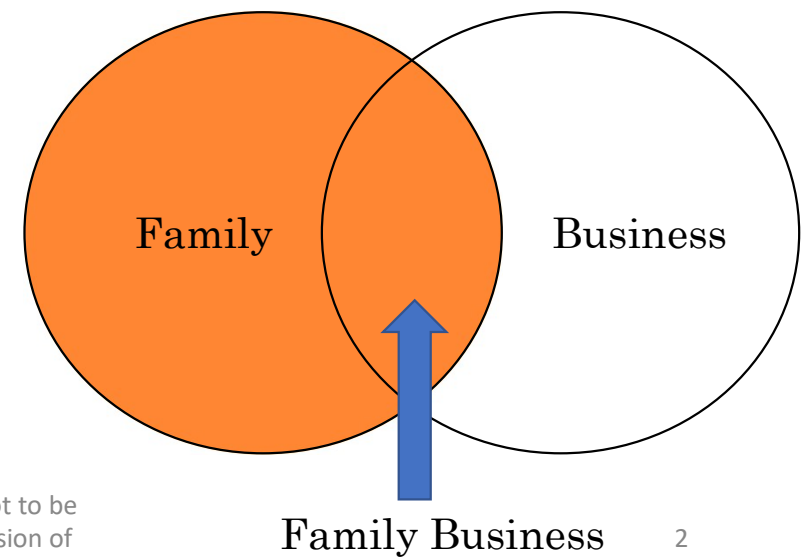


# Strategies for Growth and Succession

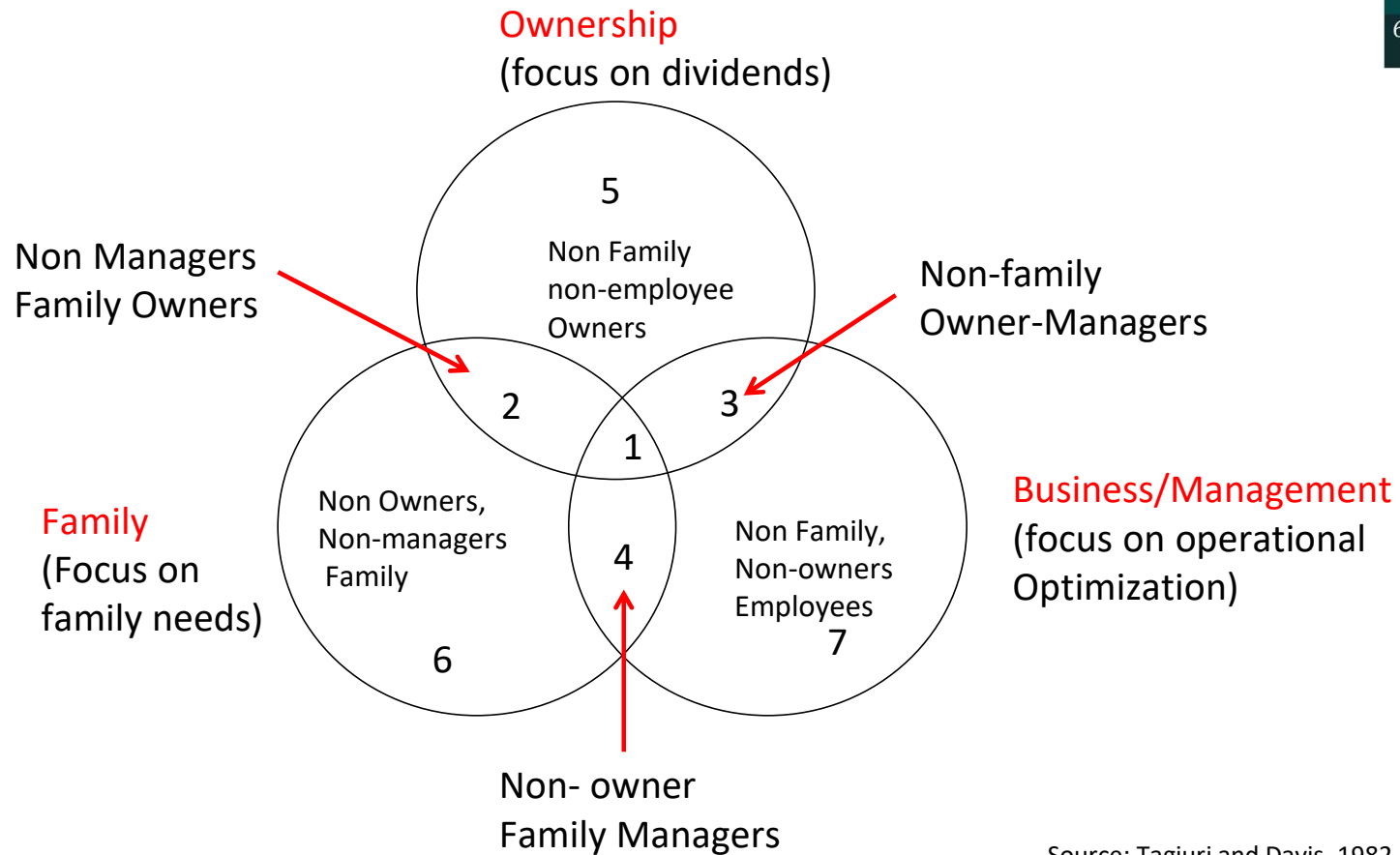
**Rajiv Agarwal, Ph.D.**  
**Family Business Advisor**  
**Professor of Family Business & Strategy**  
**S.P. Jain Institute of Management & Research (SPJIMR), Mumbai.**

# Business Families

## Family Businesses



# The Three Circle Framework

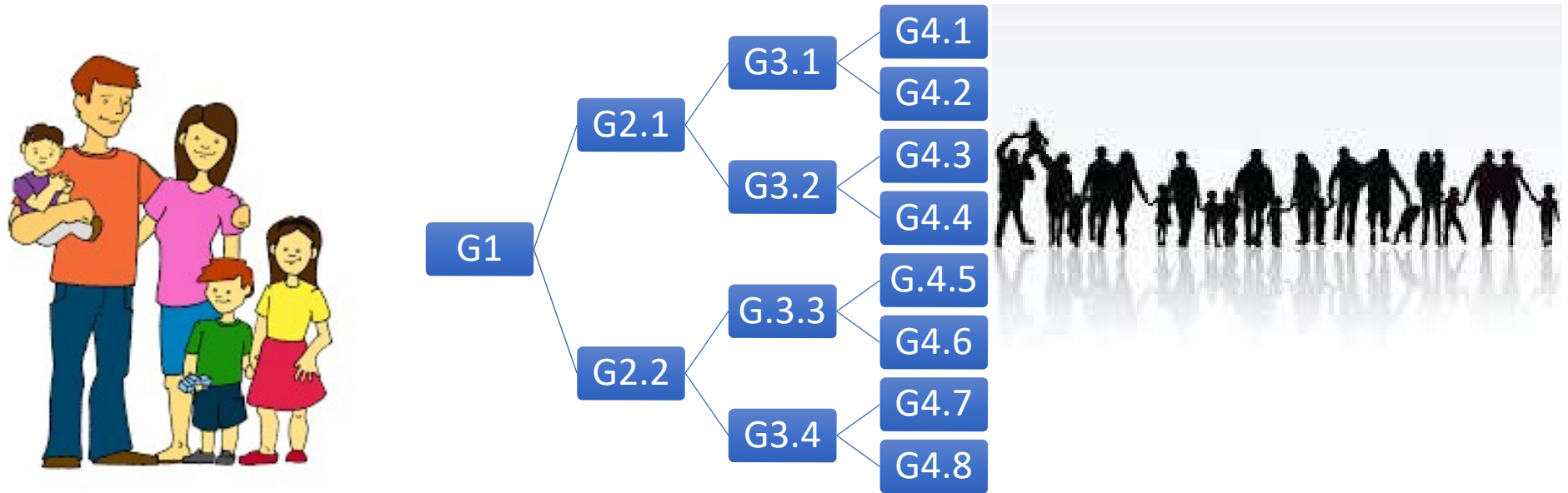


Source: Tagiuri and Davis, 1982



# Laws of Families

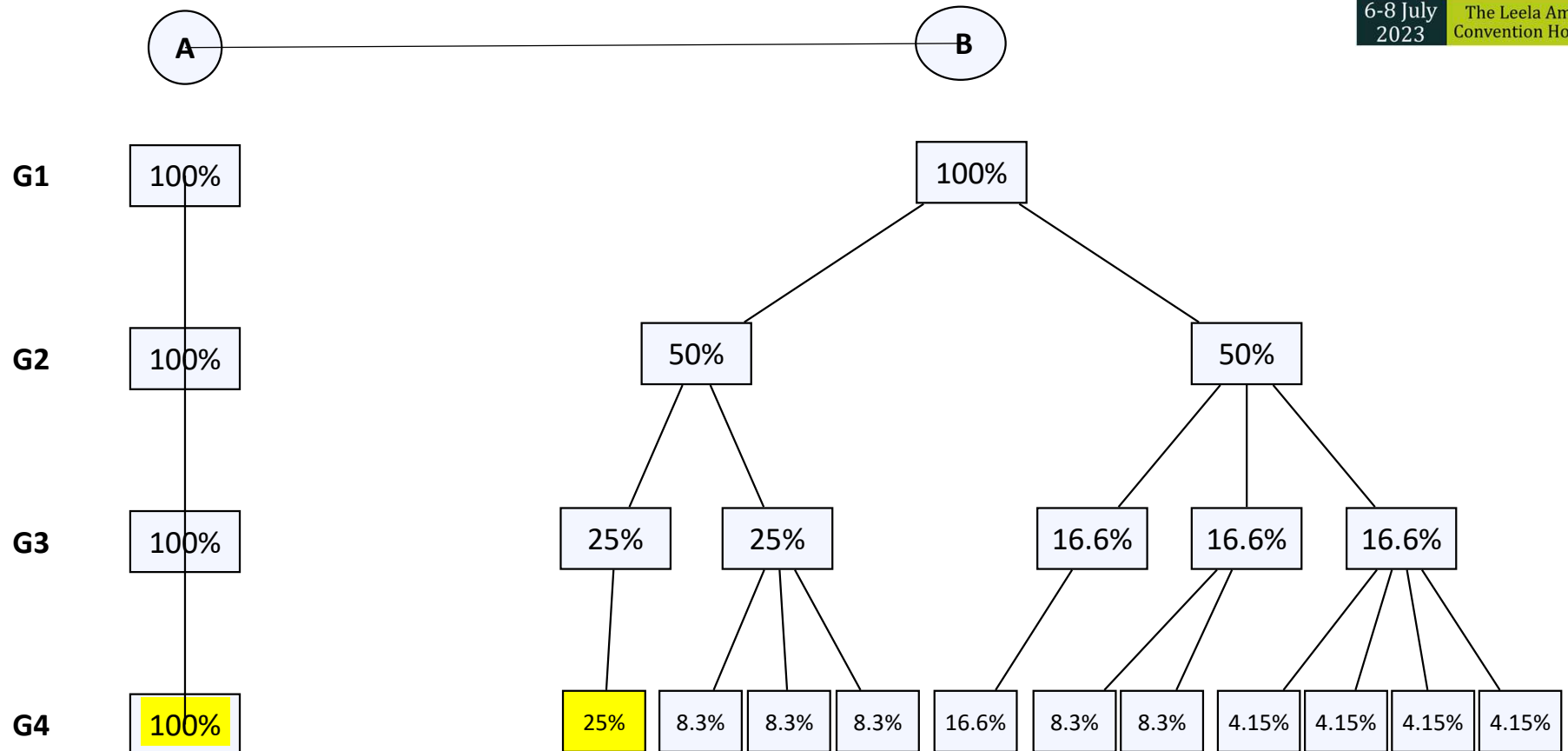
# Families grow faster than businesses...



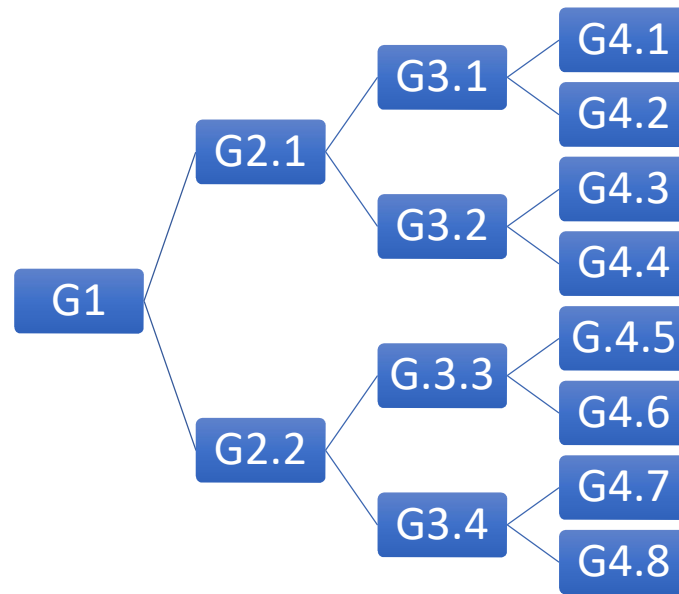
Family members	1	4	16	64
Including In-laws	2	8	32	132

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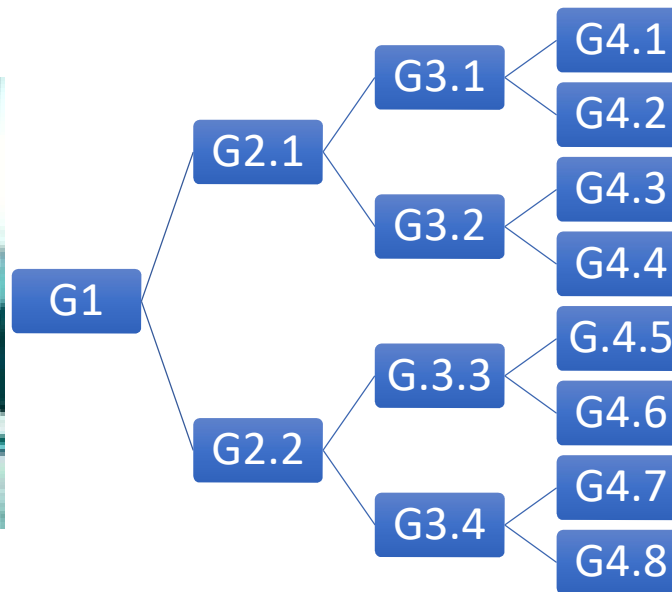
# Family Ownership varies across generations



# Family lifestyle expectations rise across generations

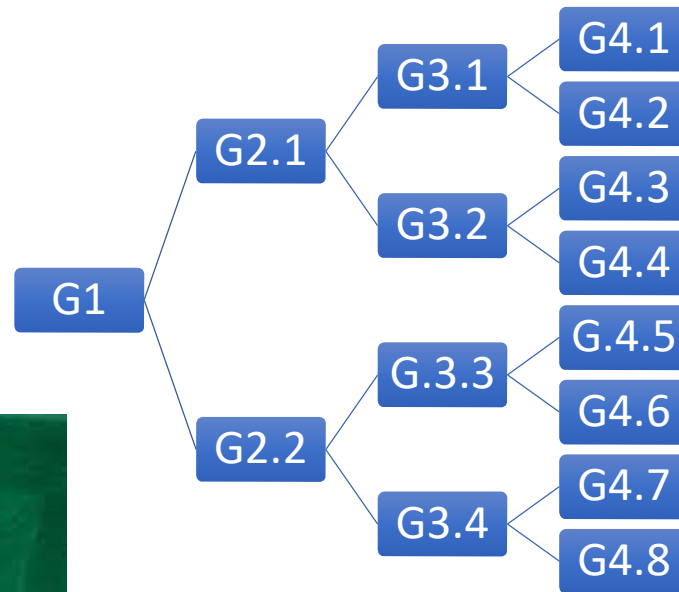


# Family shareholders become financially dependent on the business

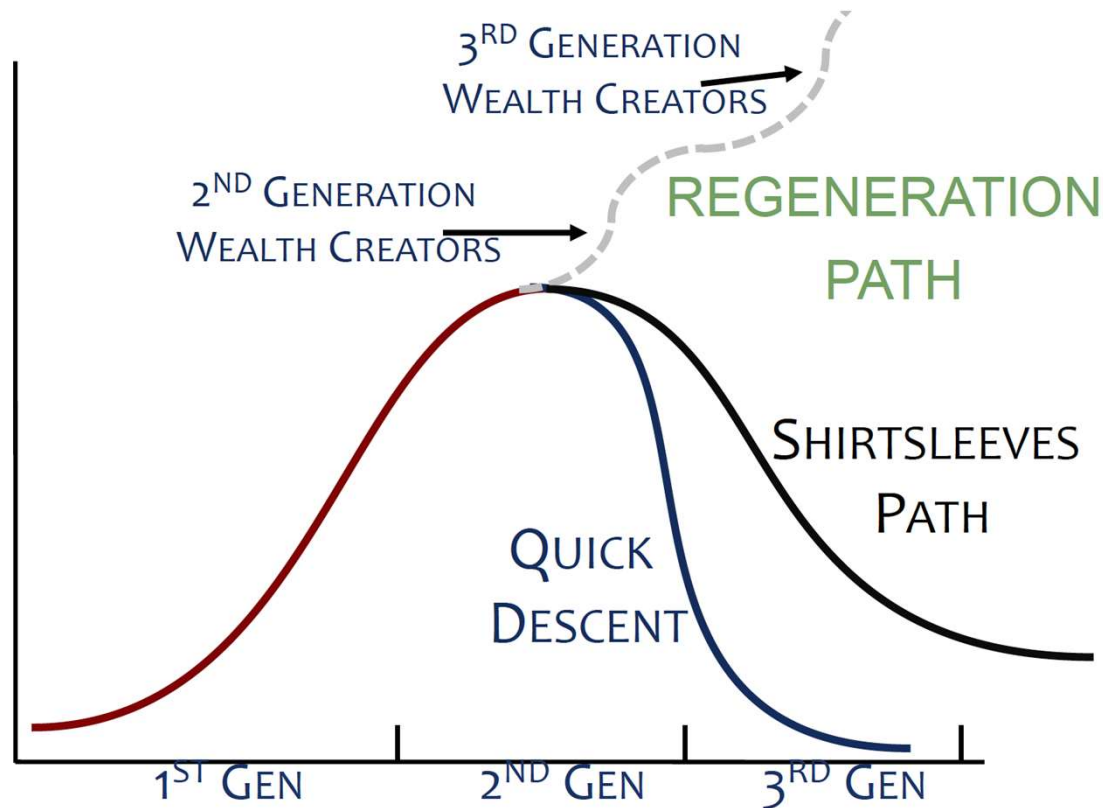




# The family business is the only source of income for the family



# Family Wealth Paths



Source: John Davis, Harvard Business School

# 30/13/3 Rule

- **30%** businesses reach the **Second** Generation
- **13%** businesses reach the **Third** Generation
- **3%** businesses reach the **Fourth** Generation



Source: Ward, 1987

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# Three Generation Rule

Wealth never survives three generations...



Brazil Rich Father, Noble Son, Poor Grandson



China From peasant shoes to peasant shoes in three generations



Italy From the stables to the stars and back in three generations



Mexico Father- merchant, Son – millionaire, grandson -beggar



USA Shirtsleeves to shirtsleeves in three generations



India A Business Family (“House”) lasts for 60 years

*(ek kothi ki umar saath saal)*

## India's Top 20 Business Groups By Assets

Source: 1990 and 1951 : RK Hazari's The Structure of the Corporate Private Sector: A Study of Concentration, Ownership and Control, Gita Piramal's Big business and entrepreneurship Seminar, August 2003".

2016 : figures based on data on data from Capoline database. Financial figures have been adjusted for listed subsidiaries of key group companies For bank and financial companies network has been taken into consideration instead of total assets.

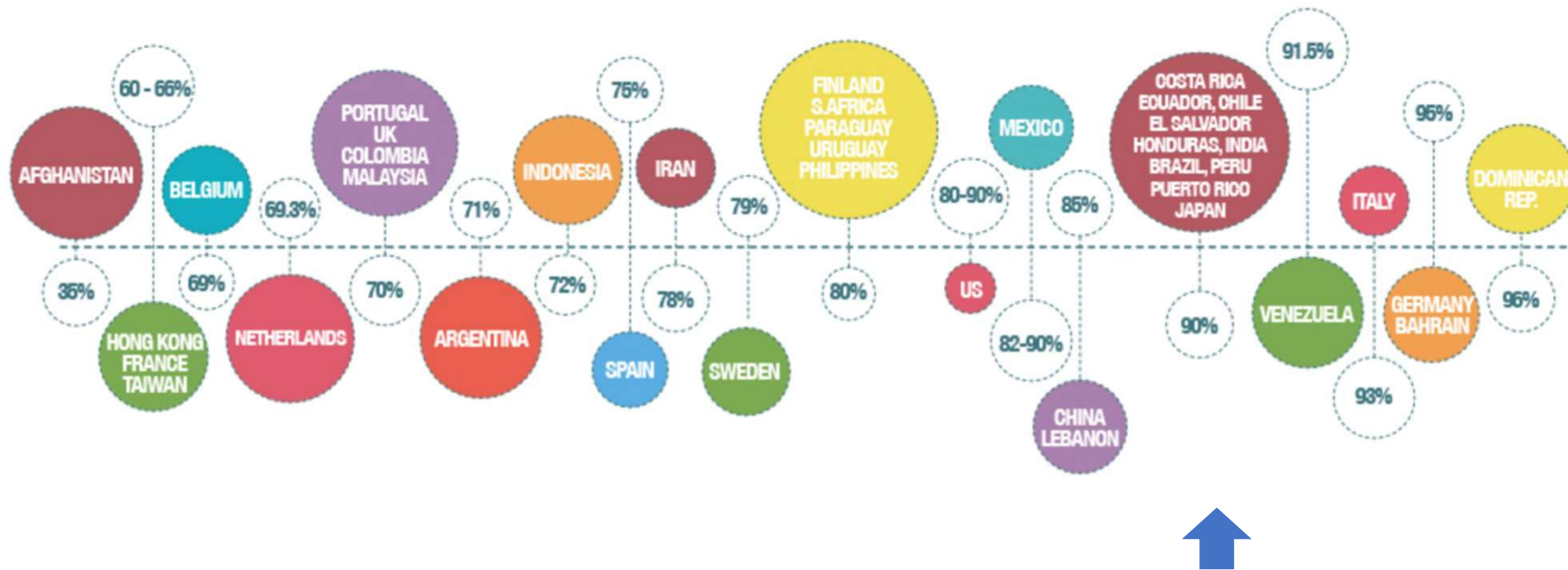
1951		1990		2016	
Rank	Business Group	Rank	Business group	Rank	Business group
1	Tata	1	Tata (excl ACC)*	1	Tata
2	Birla	2	Birla	2	Mukesh Ambani
3	Martin Bum	3	Ambani	3	Birla AV
4	Sahu Jain	4	JK Singhania	4	Anil Ambani
5	Bird Heilgers	5	Thapar	5	Vedanta
6	Andrew Yule	6	Mafatlal	6	Bharti
7	Shriram	7	Bajaj	7	L&T
8	Mafatlal	8	Modi	8	Adani
9	Kasturbhai Lalbhai	9	MA Chidambaram	9	HDFC
10	JK Singhania	10	TVS	10	Mahindra
11	Walchand	11	Shriram	11	ICICI
12	Thapar	12	UB	12	OP Jindal
13	Bangur	13	Bangur	13	JSW Group
14	Khatau	14	Kirloskar	14	Jaypee Group
15	Indra Singh	15	Walchand	15	Infosys
16	Seshayee	16	Mahindra	16	Wipro
17	Ramakrishna	17	Goenka	17	DLF
18	Kirloskar	18	Nanda (Escorts)	18	Axis Bank
19	Mahindra	19	Lalbhai	19	GMR
20	Shapoorji	20	Ruia (Essar)	20	Rahul Bajaj <sup>13</sup>

# Now the good news!



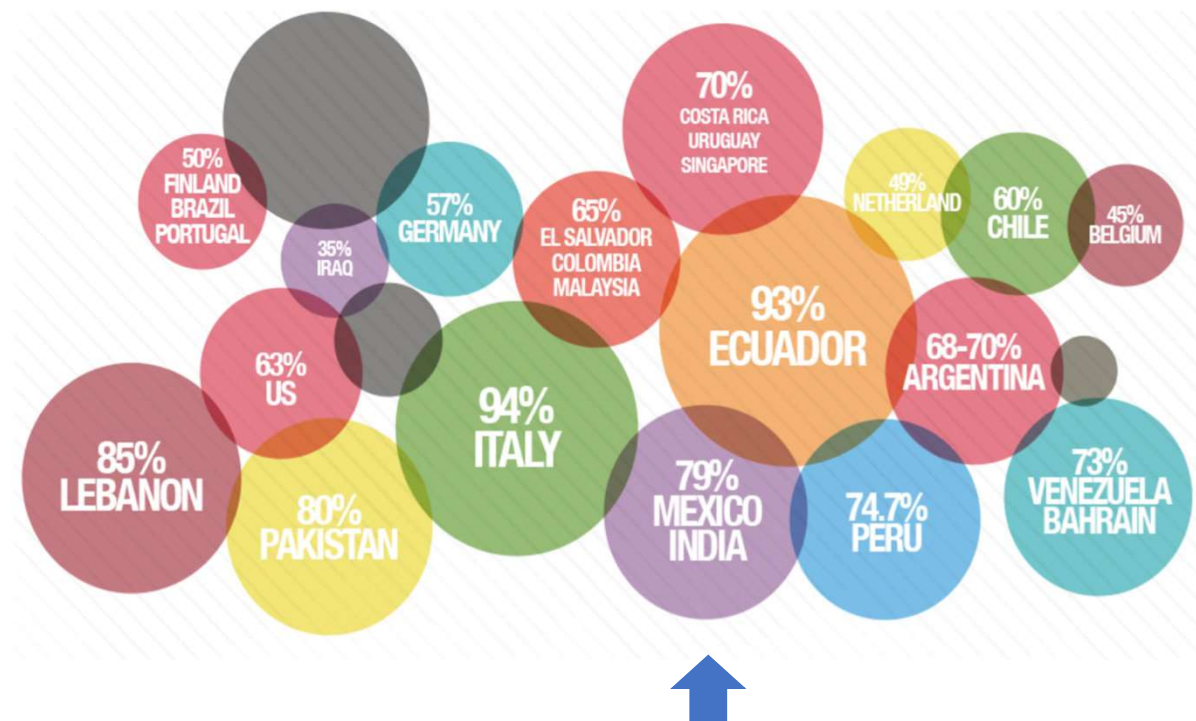
# Family Businesses Worldwide

Percentage of Family Businesses in the Private Sector



Source: Tharawat Magazine, Issue 22, 2014, quoted by FFI, <http://www.ffi.org/?page=GlobalDataPoints>

# GDP contribution by Family Businesses



Source: Tharawat Magazine, Issue 22, 2014, quoted by FFI, <http://www.ffi.org/?page=GlobalDataPoints>



# Family Businesses 3 Key Challenges..



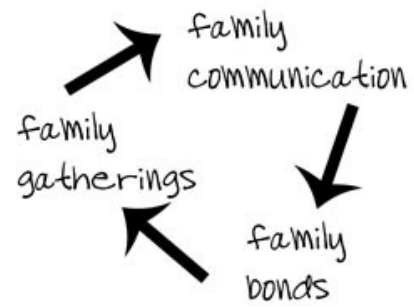
- How do I keep my family business profitable?
- How do I grow?
- How can I be relevant 100 years from now?

# Communication



# Family Development

(Education, Family events..)



# Family Rules / Governance



# Family Businesses

## 4 Considerations...

1. Sustainability and Growth
2. Professionalising
3. Innovation and Relevance
4. Stewardship





# Sustainability And Growth

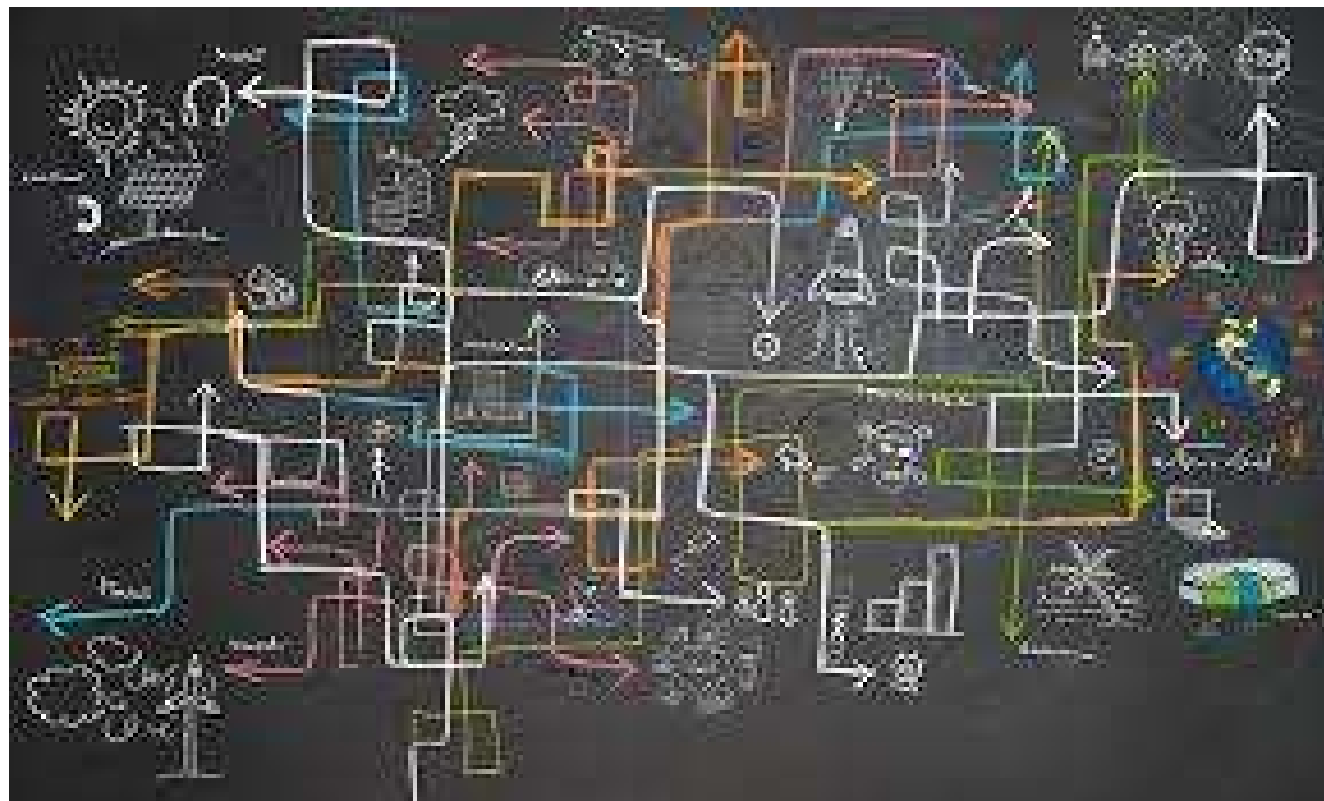
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# Fire in the Belly



# Professionalising







# Professionalising

- How can you increase your size by 10 times in the next 5-10 years?
- What do you have to do?
- Why are you not doing it?

Innovation and Relevance



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# Stewardship

You merely look after it for the next generation.



PATEK PHILIPPE  
GENEVE  
Regardez votre montre comme

You never actually own a Patek Philippe.

✦

You merely look after it for the next generation.

The patented Annual Calendar Display (day, month and date), which only needs resetting once a year. A sapphire crystal back reveals the self-winding mechanical watch. It is distinguished by the Geneva Seal. Ref. 5940R. Patek Philippe Geneva. Ten call at 014 26 16 16 or [www.patek.com](http://www.patek.com)

# Family Businesses



- How do I grow my business profitability for the next generation?

# Collaboration





# The Power of Teamwork

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# Interdependence



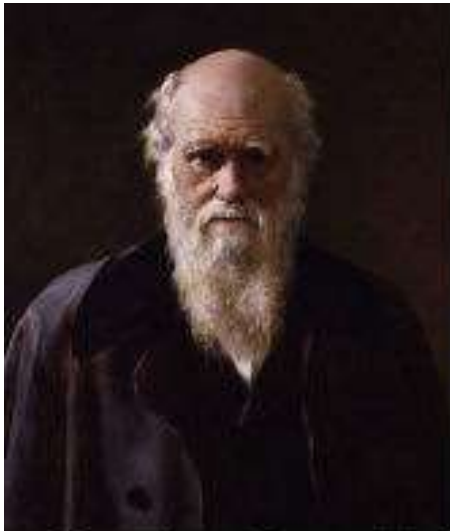
# Change





It is not the strongest of the species,  
nor the most intelligent that survives.

It is the one that is most adaptable to  
change

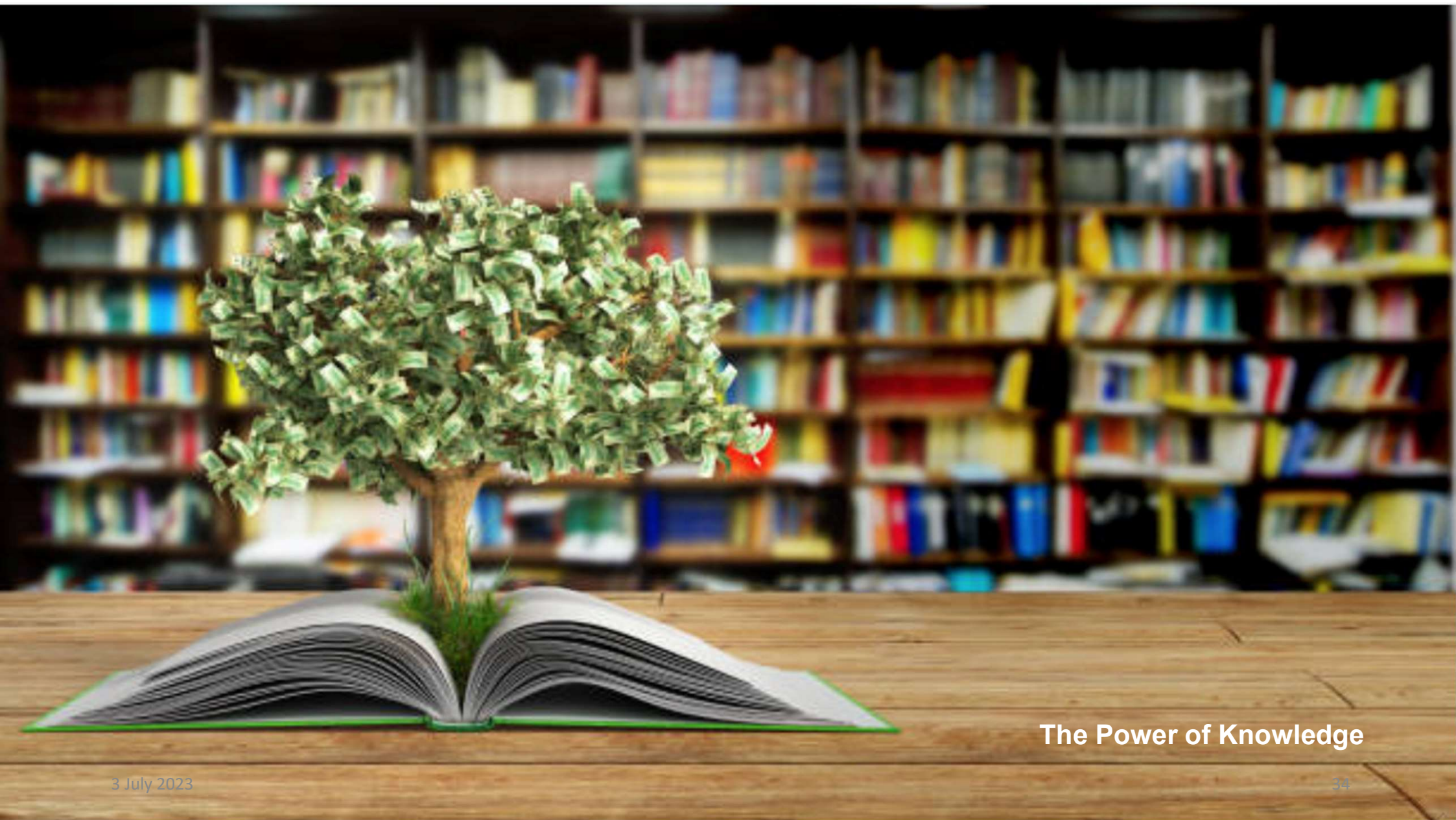


**Charles Darwin**



**Extinct Dodo Bird**

Charles Darwin



## The Power of Knowledge

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# To summarise

- Families
  - Communication
  - Family Development
  - Family Rules /Governance
- Businesses
  - Sustainability and Growth
  - Professionalising Processes
  - Innovation and Relevance
  - Stewardship
- Success factors
  - Collaboration
  - Team work
  - Interdependence
  - Change
  - Knowledge



# India's growth depends on you!



Responsibility / Duty  
Privilege

Not a burden  
Not a right, but responsibility

# End thoughts on family businesses

Responsibility / Duty  
Privilege

Not a burden  
Not a right, but responsibility





"All happy families resemble one another,  
each unhappy family is unhappy in its own way."

- Leo Tolstoy



# Thank you. Any questions?

Rajiv G. Agarwal



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