



2023

A REPORT BY
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THE NEXT GENERATION OF INDIA INC AND HOW TO GO INTERNATIONAL

UNRAVELLING OPPORTUNITIES, CHALLENGES,
AND GROWTH STRATEGIES FOR INDIAN FAMILY
BUSINESSES

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EXECUTIVE SUMMARY

This study engaged over 40 MIG member companies, significant players in India's market, with active second-generation entrepreneurs. The dialogue encompassed crucial family business aspects, from integrating new generations with experienced teams to navigating growth amidst challenges.

The majority cater to diverse sectors, centered in India. Yet, 30% ventured into export markets. Three key business strategies emerged:

★ Top Themes:

India Expansion 2.0: Deepening Your Business Footprints



India is seen as a dynamic market with ample opportunities for growth. Around 70% of the respondents acknowledge the vast potential offered by the Indian market. Majority of companies prioritize exploring the untapped domestic market potential before venturing into international markets. They seek to leverage domestic opportunities by emphasizing on diversification and embracing innovative practices. This strategic approach lays the foundation for their expansion plans, leading them to aspire to become leaders in their respective product/sector domains.

EXECUTIVE SUMMARY

Enhancing Manufacturing Efficiencies

Businesses prioritized enhancing manufacturing efficiency for competitiveness and growth. They embraced continuous improvement, automation, and technological adoption to enhance accuracy and production capacity. Common strategies adopted by companies include streamlined workflows, waste reduction, and resource optimization. Besides, employee upskilling through training programs aimed to boost process efficiency and innovation. This commitment underscores their dedication to deliver high-quality and cost-effective products, establishing them as innovation leaders in a competitive manufacturing landscape.

Exporting to International Markets



Export opportunities were seen as a crucial driver of growth. 40% of respondents expressed a strong inclination towards exploring international markets to increase sales, establish strategic alliances and global partnerships, and enhance brand recognition. They express their intent to take concrete steps to sustainably progress in this direction. Notably, larger turnover companies, constituting 35% of respondents, are particularly focused on establishing independent export teams to oversee their international endeavors. This underscores their determination to tap into global markets and expand their presence beyond India's borders.

KEY FINDINGS

Comprehensive discussions unveiled a profound sense of pride and admiration for the founding generation, with divergent working styles converging harmoniously toward shared business goals. Families are dedicated to fostering new business opportunities for the next generation, granting autonomy for independent leadership. The new generation's strategic approach aligns with their strengths, minimizing overlap with older generation roles and nurturing a dynamic, harmonious environment for sustained growth.

- ★ A key discussion point centered on differing business outlooks between the first and second generations. The first generation embraced risk-taking and networking, venturing into unexplored territories fearlessly. In contrast, the second generation prioritizes specialization, technology, and optimization within established ecosystems. Despite these differences, both generations acknowledge the importance of cooperation and collaboration, leveraging each other's strengths for shared goals.

"There is nothing to lose by the 1st generation, if the business doesn't work it is their loss because they have created it. But with the second generation, they have to sustain what is created by them"

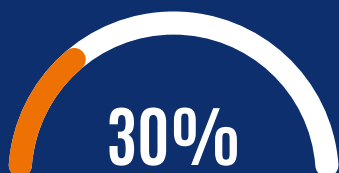
KEY FINDINGS

- ★ Amidst the generational transition, 90% of respondents emphasized the importance of tackling challenges in next-line leadership and efficient human resource management. Companies have initiated discussions to create precise strategies for managing workforce volatility, particularly among workmen and supervisors. A unanimous agreement exists on the urgency of bridging the gap between the first and succeeding generations. As first-generation leaders step back and retire, the next generation must adeptly assume leadership roles, ensuring uninterrupted business growth and seamless continuity.

90%

of respondents emphasized the importance of tackling challenges in next-line leadership and efficient human resource management.

- ★ While understanding family-owned businesses, 15% of respondents support a strategic approach that advocates decentralized decision-making for operational matters, while keeping financial decisions centralized with the first generation, in the pursuit of growth and operational excellence. However, 30% of respondents expressed a desire to enhance their current approach to financial planning and budgeting, recognizing its importance in achieving sustainable growth and financial stability.



of respondents expressed a desire to enhance their current approach to financial planning and budgeting

KEY FINDINGS

- ★ **The majority of participating companies, anticipated 50% increase in business**, reflecting an optimistic outlook for the upcoming year. Additionally, **50% of respondents have already established effective communication strategies with employees**, promoting a motivated and cohesive workforce amidst growth aspirations.



- ★ **Discussions highlighted effective communication and engagement practices in most companies.** The first generation maintains strong emotional bonds with employees, and the second generation values contributions and expertise. **A transparent "collaborative process" is embraced**, where managers openly discuss and seek solutions, fostering cohesion and innovation.

"If you want to go fast go alone, if you want to go far, go together"

Discussions highlight key generational transition aspects affecting family business growth. Successful navigation involves understanding diverse outlooks, effective succession planning, and human resource management. By leveraging strengths of both generations, fostering collaboration, and refining financial planning, businesses can ensure sustained growth and prosperity.

INDIA EXPANSION 2.0

DEEPENING YOUR BUSINESS FOOTPRINTS

Both 1st and 2nd generation teams have ambitious growth aspirations and are ready for calculated risks. They aim to expand their business through organic growth, diversification, or international expansion. By aligning ambitions and risk profiles, informed strategies can be devised that could lead to competitive success.

Key discussion points on generational outlook and growth opportunities:

- ★ **Market Diversification:** Many respondents see market diversification as a path to growth. They understand that exploring new markets and engaging different customer segments can open doors to fresh opportunities and reduce dependence on a single market. Diversification is their shield against risk and a guarantee of business sustainability.

"Business journey is like trekking the hill. Either you have to add the product, or you have to add the customers, if you are going to depend on one customer then one day either you will die, or he will die. Think about the product you have and do the backward and forward integration"

- ★ **Importance of Innovation:** Respondents emphasized the significance of innovation in driving growth. They believe that continuous product and service innovation are essential for attracting customers and expanding their market reach. Innovation also plays a vital role in optimizing internal processes and improving overall efficiency.

INDIA EXPANSION 2.0

DEEPENING YOUR BUSINESS FOOTPRINTS

-
- ★ **Expanding Exports:** Respondents are eager to explore growth through exports, aiming to diversify their customer base and reduce reliance on domestic markets. They see international markets as untapped potential for wider reach and competitive advantage. They perceived exports as a means to leverage quality products for global demand.

Despite international expansion challenges—regulations, currency fluctuations, and cultural nuances

-companies exhibit unwavering zeal for exports. Diligent research, market insight, and strategic planning promise substantial rewards

Some contemplate partnerships and collaborations to ease export endeavors. Some have established international presence through agents or distributors. Exports embody global expansion—an avenue of opportunities embraced alongside challenges.

🔔 *Companies do not directly export their products but sell to an agent who handles the exporting process and sells the products in international markets.*

- ★ **Partnerships:** Respondents considered mergers and acquisitions as a growth strategy to gain quick access to new technology, talent and markets. Strategic partnerships and collaborations were seen as strengths for mutual growth.

Participating companies proactively seek growth while respecting challenges. Insights unveil diverse strategies and considerations, guiding growth, expansion, export exploration, and capitalizing on emerging prospects.

ENHANCING MANUFACTURING EFFICIENCIES

Surveyed viewpoints emphasized efficiency and optimization in manufacturing processes as vital growth drivers. Data collected via structured interviews with diverse industry professionals aimed to grasp strategies, challenges, and best practices for enhancing manufacturing and operational efficiencies.

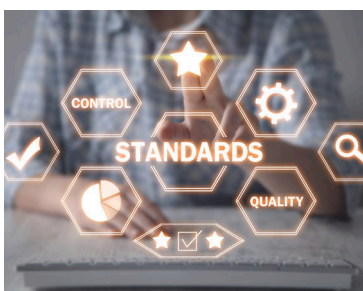


Emphasis on Continuous Improvement: The majority of respondents acknowledged the significance of continuous improvement in manufacturing processes to drive business growth. They stressed the need to adapt to changing market demands and enhance efficiency to remain competitive.

Digitisation and Automation: A recurring theme was integrating automation and ERP in manufacturing. Respondents recognized the potential of modern machinery and smart automation systems to optimize processes, reduce human errors, and increase production capacity. Process standardization emerged as a crucial factor in achieving consistency and predictability in outcomes, thereby enhancing efficiency across projects.



“*Automation ka ROI nahi nikalna chahiye*”



Quality Control for Customer Satisfaction: Ensuring high product quality was a shared priority among respondents. Robust quality control measures were seen as instrumental in fostering customer satisfaction, building brand reputation, and, consequently, growing business.

ENHANCING MANUFACTURING EFFICIENCIES

Optimizing Production Capacity: Respondents recognized the importance of effectively utilizing production capacity. They aimed to strike a balance between maximizing output and maintaining production flexibility to meet market demands efficiently.



Investment in Employee Training: Respondents emphasized the value of a skilled workforce and invested in training programs to enhance employee skills and efficiency. Well-trained employees were viewed as valuable assets contributing to improved productivity



“Hire the right set of people, and empower them, I don't go on shopfloor manage the money or anything all is done by the right set of people”

The insights gathered from the survey/interview data reflect the manufacturing industry's collective commitment to enhancing efficiency, optimizing processes, and adopting modern practices to foster business growth. By embracing continuous improvement, technology, and employee development, businesses can position themselves strategically in a competitive market landscape.

GROWTH DRIVERS & CHALLENGES THAT RESPONDENTS FORESEE

★ Drivers of Growth:

- ★ **Customer-Centric Approach:** The respondents recognized customer-centricity as key to their growth strategy. They sought to understand and fulfill unique customer needs with customized solutions and experiences. Through strong relationships and customer satisfaction, businesses aimed for repeat business and loyalty.

- ★ **Automation and ERP:** Automation stood out as a key theme. Companies acknowledged the transformative power of automation in streamlining various aspects of their operations, from production and manufacturing to customer service, logistics and managing manpower volatility. Moreover, it boosts productivity, freeing employees for innovative and value-added tasks.

★ Challenges for Growth

- ★ **Intense Competition:** The respondents expressed concerns over intense industry competition. They noted that saturated domestic and global markets, along with presence of established players pose a challenge for growth. Besides, bringing product differentiation while maintaining competitive pricing becomes essential.

GROWTH DRIVERS & CHALLENGES THAT RESPONDENTS FORESEE

★ Challenges for Growth

- ★ **Skilled Manpower Shortage:** Respondents highlighted finding and retaining skilled manpower as a recurring challenge. Expanding businesses demand specialized talent, particularly in technical and engineering roles. They cited that fierce competition escalates labor costs and attrition. Addressing this issue becomes crucial for successful growth strategies.
- ★ **Capital-Intensive Operations:** Surveyed businesses that were majorly capital-intensive, demanded significant investments in technology, infrastructure, and R&D. Respondents recognized the need for ongoing investments to stay competitive, yet managing efficient working capital remains a challenge.
- ★ **Limited Capacity:** Another challenges that hinders the company's export efforts is limited capacity. The domestic consumption within India utilizes all available capacities. Companies plan to venture into exports when the Indian market nears saturation, ensuring prudent expansion after fulfilling domestic demand.

The respondents were keenly aware of the challenges and opportunities on their growth journey. A customer-centric approach combined with automation and innovative practices emerged as the key drivers of growth. The respondents' resilience and strategic thinking enabled them to address challenges such as intense competition, skilled manpower shortages, and capital-intensive operations proactively.



BRIDGING THE GENERATIONAL DIVIDE:

EMBRACING THE CONTRASTING WAY OF WORKING

In this section, we explore generational differences and their impact on business outlooks and risk-taking in family enterprises. Through interviews and analysis, we uncover the power of risk-taking and how it shapes growth for first and second generations. We focus on business diversification, education's influence on risk appetite, and desk-based work vs hands-on experience on the shop floor.

“Business is not black and white; it is grey and that grey area you get to know from your first generation.”

★ **Contrasting Risk-Taking Styles and Opportunity Scouting Approaches:** First and second generations diverge in their risk-taking and opportunity scouting. The pioneering first generation embraced bold risks, driven by networking and instinct. In contrast, the second generation approaches risk cautiously, valuing data and informed choices. Their strategic pursuit of growth stems from technology, innovation, and market insights.

Both generations appreciate education and experience for decision-making. Second generation leverages first-gen's daring spirit, while first generation gains from data-driven insights. Synergy fuels harmonious growth, building upon heritage and embracing change.

BRIDGING THE GENERATIONAL DIVIDE:

EMBRACING THE CONTRASTING WAY OF WORKING

Shop Floor vs. Desk-Based Work: We analyzed operational dynamics, comparing second-gen's desk focus with first-gen's hands-on style. We highlight the value of 1.5 years shop floor experience for informed and quick decisions. By combining both generations' strengths, we suggest a harmonious approach for improved conflict management and decision-making.

*“Education makes
you more
conservative”*

- ★ **The Unifying Power of Storytelling:** We delve into how storytelling and personal narratives influence future generations. Emotional stories cultivate responsibility and preserve first-gen values and legacy. Emphasizing integrity, quality, and strong relationships, storytelling bridges both generations for shared growth and prosperity.
- ★ **Communication and Decision-Making:** Across generations, communication and decision-making varied significantly. First-gen founders relied on intuition, making quick, decisive calls that aided their entrepreneurial path. Second-gen leaders, in contrast, adopted structured approaches, valuing inclusivity and consensus. They recognized the need to engage stakeholders like family, employees, and experts to make informed choices in line with the company's long-term vision.
- ★ **Education and Experience:** The educational background and professional experience shaped generational perspectives and decision-making. First-gen thrived on practicality, adapting swiftly to challenges, while second-gen benefited from formal education, global exposure, and analytical skills, favoring data-driven decisions and international exploration.

BRIDGING THE GENERATIONAL DIVIDE:

EMBRACING THE CONTRASTING WAY
OF WORKING



This section illuminates the exciting interplay of generational differences and their implications on family business growth. By embracing risk-taking strategies, striking a balance between education and experience, and harnessing the unifying power of storytelling, family businesses can bridge gaps for transformative journeys.

By leveraging the strengths of both generations and adopting a forward-looking approach, Indian family businesses can ensure sustained success amid change.

80%

Companies feel that India holds the potential to revolutionize the global manufacturing landscape

SUMMARY

The study presented a comprehensive analysis of India's family businesses and their readiness for the future. The discussions revealed a strong sense of pride, responsibility, and determination among both generations to carry forward their family's legacy and create a lasting impact.

Despite diverse business outlooks between the first and second generations, the interplay of their complementary strengths paved the way for seamless generational transitions and continuity in business growth. The study highlighted the importance of next-line leadership and effective human resource management to ensure a smooth transition of power and responsibilities.

The insights gathered from the discussions emphasized the importance of fostering a collaborative work environment, investing in technology and automation, and adopting innovative practices to drive business growth. Participants showed a keen interest in exploring international markets, viewing exports as a strategic driver of growth and a means to diversify their customer base.

With a customer-centric approach, emphasis on innovation, and willingness to embrace challenges, India's family businesses are poised to thrive in an increasingly competitive and dynamic global market.

RECOMMENDATIONS

Based on the findings of this study, we offer the following recommendations for Indian family businesses:

Focus on Next-Line Leadership: Businesses should proactively identify and groom the next generation of leaders within the family to ensure a seamless transition of power and responsibilities. Leadership development programs and mentorship initiatives can help nurture the leadership skills of the next generation.

Embrace Automation: Integrating advanced technologies and automation into manufacturing processes and business operations can lead to increased efficiency, reduced costs, and improved product quality. Businesses should invest in research and development to stay ahead of the curve.

Explore International Markets: Businesses should conduct thorough market research to identify viable opportunities in international markets. Developing a well-planned market entry strategy and forming strategic partnerships can aid in successful international expansion.

Prioritize Customer Satisfaction: Adopting a customer-centric approach and focusing on delivering value to customers can drive customer loyalty and foster repeat business. Customer feedback mechanisms and continuous improvement initiatives can further enhance customer satisfaction.

Strengthen Human Resource Management: Addressing skilled manpower shortages and retaining talent should be a priority for businesses. Offering competitive compensation packages, investing in employee training, and creating a positive work culture can help attract and retain skilled professionals.

UNLOCKING THE POTENTIAL OF INDIA INC: PARTNERING WITH M+V ALTIOS FOR GROWTH

In this collaborative study, we have delved deep into the aspirations, challenges, and strategies that define the very essence of the next generation of India Inc. The insights gathered from our interactions with over 40 esteemed MIG member companies offer invaluable guidance for family businesses to prepare for the future and seize growth opportunities.

As we conclude this transformative journey, we find ourselves in awe of the founding generation. Their unwavering commitment, bold risk-taking, and unyielding entrepreneurial spirit have paved the way for the success of these businesses. Now, with a generational transition on the horizon, the convergence of the first and second generations presents a remarkable opportunity to forge a path of sustainable growth together.

At MV Altios, we wholeheartedly recognize the unique challenges faced by family-owned enterprises. Our expert team stands ready, armed with tailored solutions, to help you skillfully navigate this ever-evolving business landscape. We understand the paramount importance of blending innovation with time-tested strategies to ensure your continued prosperity.

By forging a partnership with MV Altios, you gain access to a wealth of experience and expertise. We are poised to bridge the generational divide, enhance operational efficiencies, and implement progressive human resource management practices. Our collaborative approach seamlessly integrates the complementary strengths of both generations, fostering a dynamic and harmonious business environment.

Our services are carefully designed to accelerate your growth, provide unwavering support in decision-making, and offer valuable insights that optimize your business operations. As you embark on this transformative journey, we stand beside you as a reliable and trustworthy partner, ready to face any challenge that comes your way.

Engaging with an external partner might seem daunting, but we assure you of our unwavering commitment to empowering family businesses like yours. We have a proven track record of success, and together, we will work closely, aligning our strategies with your vision, to achieve sustainable and meaningful growth.

UNLOCKING THE POTENTIAL OF INDIA INC: PARTNERING WITH M+V ALTIOS FOR GROWTH

Reach out to us today, and let MV Altios support your growth aspirations, enabling you to flourish in this thrilling phase of India Inc. With our strategic partnership, you can confidently embrace the future and unlock the full potential of your esteemed family business.

In closing, we are confident that this report will serve as a highly valuable resource for Indian family businesses as they navigate the ever-evolving business landscape and prepare for the dawn of the next generation. Embrace change, invest in cutting-edge technology and human capital, and explore new avenues of growth, as you continue to prosper and carve the future of India Inc.

DISCLAIMER:

The content provided in this report is based on the information gathered from interviews and surveys with participating companies. The recommendations provided are general in nature and may not be suitable for specific business contexts. It is advised to consult relevant experts and professionals before implementing any strategies mentioned in this report.

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