

Building future-ready boards for India's family led economy



Family businesses remain the backbone of India's economy, contributing around [70% of GDP and employing roughly 60% of the country's workforce](#), yet their boards are navigating a period of rapid transition. Multigenerational ownership structures, rising global expectations, and faster operating cycles are testing governance models that once served these enterprises well. Today's boards must navigate rapid technological advancement, evolving regulations, geopolitical uncertainty, and more diverse stakeholder demands — all of which are pushing them to sharpen strategic focus and modernise their governance approach.

Directors are increasingly expected to set the tone for responsible innovation, particularly as AI and data-driven models reshape industries. This requires governance systems that balance technological ambition with ethical integrity and long-term value creation. Regulatory evolution and heightened public scrutiny are also prompting boards to enhance transparency, deepen risk oversight, and proactively manage reputation in an era where information moves instantly. At the same time, expectations around diversity, inclusion, and social responsibility are opening avenues for more dynamic and representative boardrooms — areas where India has room to accelerate. Rising IPO activity adds another driver for change, as family businesses preparing for public markets adopt global standards of oversight and disclosure.

Taken together, these shifts represent more than pressures to be managed — they are catalysts for family business boards to elevate their governance, strengthen resilience, and shape the next chapter of India's economic leadership.

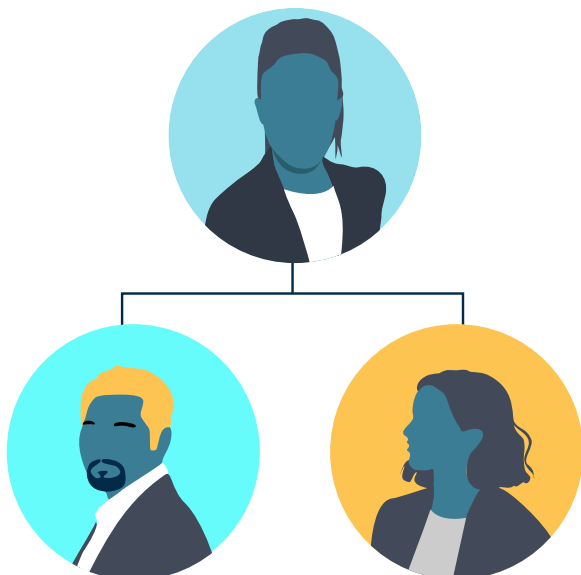
Within this context, in a recent roundtable with board leaders and family business advisors, several recurring themes emerged. While each family business is unique, the conversations revealed shared challenges and opportunities that are defining the next phase of board effectiveness in India. The following sections explore these themes and the shifts required for boards to lead with clarity, resilience, and foresight.

1. Governance remains the Achilles' heel of family businesses – who owns, who runs, and who oversees?

Governance continues to be the defining challenge for family businesses. In many organisations, ownership, management, and oversight still overlap, creating agility, but also ambiguity. The opportunity lies in clarifying these boundaries and building decision-making frameworks that strengthen accountability and continuity. At its core, governance in family enterprises is about creating systems that outlast individuals. Families that invest early in these structures position themselves for long-term stability, trust, and resilience.

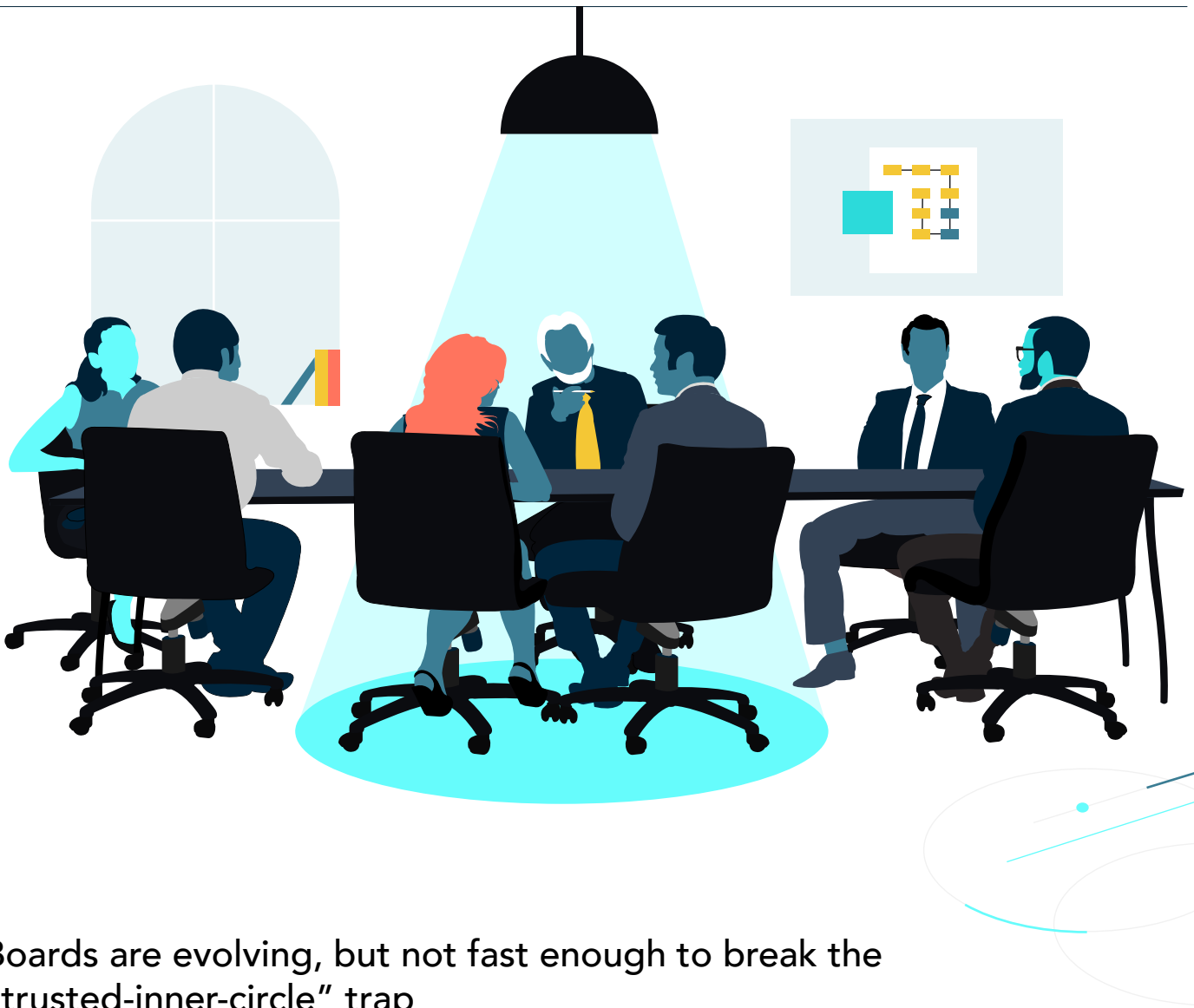
Across India, family business boards are at varying stages of governance maturity. Some are evolving toward greater independence and institutional discipline, while others remain reliant on promoter-led oversight and informal mechanisms. The challenge is often not intent but institutionalisation — translating trust-based systems into transparent, process-driven governance.

For more on the challenges and best practices of managing family business succession planning, read our latest [article](#).



Early-generation family businesses often operate with overlapping roles. These blurred accountabilities persist because informal governance practices become embedded over time. Regulatory pressures around independence, gender diversity, and ESG are now accelerating the need to formalise governance.

Encouragingly, newer forms of governance are emerging. Families are increasingly recognising that “early exits” — when generational misalignments surface — can be acts of good governance. Making the conscious decision to step aside, reconfigure leadership roles, or separate ownership from management can preserve both family relationships and business value.



2. Boards are evolving, but not fast enough to break the “trusted-inner-circle” trap

Many family businesses continue to rely heavily on long-standing relationships when forming boards, prioritising trust and familiarity over diversity of perspective. While these “comfort boards” can support cohesion, it also limits independence and restricts the board’s ability to challenge assumptions, ask difficult questions, or stretch strategic thinking. As the operating environment becomes more complex, boards that integrate perspectives from technology, geopolitics, sustainability, and global risk are far better equipped to anticipate disruption and guide long-term strategy. Yet in many family enterprises, legal and financial profiles continue to dominate board composition — valuable, yet insufficient in a world defined by digital transformation and geopolitical flux. The opportunity ahead is clear: build boards with the right mix of skills, expertise, and backgrounds to bring intellectual diversity, constructive challenge, and future-ready capability in equal measure.

Also shaping board evolution is expanding the board’s exposure beyond domestic markets. For industries such as pharmaceuticals and technology, having directors with global or cross-market experience bring pattern recognition that is increasingly critical as Indian businesses scale, navigate foreign regulations, and compete for international capital. This means integrating directors who can translate global lessons into locally relevant insights and help the board anticipate what lies ahead. Together, these shifts move board composition from a model based on familiarity to one built on capability, diversity, and readiness for a more complex operating environment.

3. Power, lineage, and lived experience continue to steer key decisions

Even in well-structured family enterprises, outcomes are often driven by strategy and human behaviour — the undercurrents of emotion, ego, and identity that accompany family legacies.

Several patterns recur across generations:

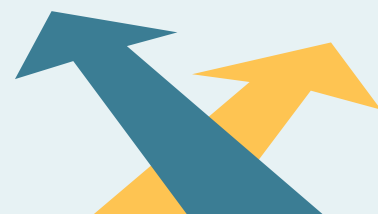
Patriarchal dominance, or the “banyan tree problem”, arises when a leader’s influence is so expansive that little new can take root beneath it.



The “**silver spoon dilemma**” reflects next-generation leaders who inherit success without the hardship that shaped their predecessors, creating gaps in resilience or ambition.



Divergent lived experiences — founders raised in scarcity versus successors raised in stability — shape differing risk appetites, leadership expectations and definitions of success.



These differences do not merely influence relationships; they shape governance itself. Effective transitions recognise that succession is an emotional journey, not a procedural milestone. Ultimately, the ability to “let go” becomes the final act of leadership — a psychological shift that converts control into continuity.

4. Private equity is pushing governance forward, often faster than families would on their own

Private equity (PE) has emerged as one of the strongest external forces shaping governance in India’s family businesses. With [26.4 billion in PE-VC investments in India](#), PE introduces an unemotional approach to ownership, one centred on value creation, performance discipline, and structural clarity.

PE investors operate on shorter time horizons — between five to seven years — creating a productive tension between near-term execution and long-term vision. Their presence often leaves behind lasting governance habits such as sharper processes, stronger return on capital employed (ROCE), clearer reporting lines, and enhanced board independence.

Importantly, this discipline can coexist with the unique strengths of family ownership — agility, trust, and purpose. The opportunity lies in balancing the professional rigour of PE with the long-term values that anchor family enterprises. When managed thoughtfully, this intersection can create governance models that are both structured and deeply rooted.



5. Embed succession into the longer-term governance mandate, and reimagine NRCs role to drive it

Succession is one of the most consequential decisions for any family enterprise, yet it is often deferred until transition becomes unavoidable. Recent [Heidrick & Struggles research](#) highlights the gap:

57% of Indian boards fall into the “as-needed traditionalist” category, treating succession as episodic rather than strategic, while 44% acknowledge its importance but often overlook it amid competing priorities.

Leading organisations increasingly recognise that effective succession planning is neither episodic nor event-driven — it is a strategic, continuous process. Starting early, typically three or more years before a planned transition, enables boards to assess leadership readiness objectively, align on long-term aspirations, and develop future leaders with intention rather than urgency. This includes defining the competencies required for next-generation leaders, establishing clear readiness criteria, and creating structured development pathways that blend business needs with family expectations.

A strengthened Nominating and Remuneration Committee (NRC) is becoming central to this shift. While not yet universal across India’s family businesses, the NRC’s role is expanding from statutory compliance to strategic stewardship of leadership continuity. The most mature family businesses now ask their NRCs to review succession roadmaps at least twice a year — introducing discipline, transparency, and objectivity to decisions that have traditionally been informal or relationship-driven. By elevating the NRC as the custodian of leadership continuity, family enterprises can ensure succession is proactive, structured, and aligned with long-term value creation.

Read our latest [Route to the Top 2025 India snapshot](#) to learn more about the insights shaping succession planning practices among India’s board members.



6. Leverage the dual power of consultants to bridge emotions and build capacity



Consultants increasingly act as neutral bridges between the emotional dynamics of family ownership and the rational demands of professional management. Beyond technical advice, they help families navigate difficult conversations around succession, compensation, and board performance through data, benchmarks, and global best practices. What makes their involvement valuable is not just the frameworks they bring, but the perspective they offer.

Board capacity building is also an emerging area of opportunity. Structured programmes, mentorship pathways, and even “board internships” are helping both family members and independent directors build the capabilities required for modern governance. While still early in India, such initiatives offer a clear path forward: creating a pipeline of informed, skilled, and globally attuned directors who sustain professional governance maturity across generations.

Family businesses in India are at a pivotal moment. As boards navigate generational transitions, evolving stakeholder expectations, and global pressures, the choices they make today will define both the resilience and the longevity of their enterprises. Governance, board composition, and human dynamics are not challenges to be managed in isolation; they are interconnected levers that shape the organisation’s capacity to adapt and thrive.

The emerging trends highlighted underscore a central principle: effective family business governance balances continuity with evolution, requiring intentionally designed systems, people, and processes to enable growth, innovation, and enduring success in an increasingly complex world.

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