INSIGHT

Family businesses: Time to stand up

Taking care of people and communities in times of crisis can offer a brand or company many long-term benefits

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The likely impact of the spread of coronavirus in a densely populated country like India has sent the country into an unprecedented state of lockdown. The economy was in the doldrums even before the virus struck. As things stand, the financial markets have been hit hard. The BSE Sensex has fallen close to 38 per cent from its peak of 41,952 points on January 14 to 26,055 points on March 24 eroding billions of dollars in investor wealth. Most “casual” workers, who form a third of India’s workforce, are forced to sit at home with no income. Domestic demand of most products and services, except essential items, has crashed. Self-employed people, who comprise half of India’s workforce, suddenly find their shops shut. Many of these small business owners will find it difficult to tide over the next few months when the demand will likely pick up.

It is in such times that business leaders must come to the forefront and lead the fight against the anticipated social and economic challenges. Business families in the country have always contributed and willingly given back to the society — through their companies or in their personal capacity, long before the provisions related to the mandatory CSR spending under the Companies Act, 2013, came into force.

Some of India’s most prominent business houses have already announced relief plans. Tata Sons and Tata Trusts have committed INR 3,500 crore; Anand Mahindra, chairman of Mahindra Group, recently announced he would explore how his firm could turn some of Mahindra’s factories into facilities where ventilators could be manufactured to help take care of critically ill Covid-19 patients. Mahindra also offered to turn some of the resorts under the Mahindra Holidays brand into quarantine facilities in case the country falls short of space, given its inadequate public health system. Anil Agarwal of Vedanta Group has set up a ₹500-crore fund to assist communities and individuals most severely affected by the coronavirus-led slowdown and promised not to fire any temporary staff going forward. Agarwal also mentioned that there would be individual one-time insurance for Vedanta employees in case they or their family members get infected.

India’s largest bicycle maker Hero Cycles has set up a ₹100-crore contingency fund to tackle the virus. The group has said it was reaching out to different state governments to offer all possible help.

Reliance Industries has set up medical facilities dedicated to supporting the government in the treatment and isolation of Covid-19 patients. Continuation of pay for temporary workers, sanctioning meals for daily-wage laborers affected by the stoppage of work and ensuring supply in providing essentials (such as grocery and hygiene products) through its retail chains are some of the other actions undertaken by the business house to mitigate the disruption faced by people. Many other business houses have also announced monetary contributions or offered help in other ways.

In the early days of the pandemic the Godrej Group and other FMCG players like Hindustan Unilever and Patanjali had said they were reducing the prices of soaps and hygiene products. They are also ramping up production of such items to fulfill the growing demand for such items.

However, for a country of the size of India which is facing a threat that most likely exposes the weaknesses of its public health care systems, measures by a handful is not going to be enough. The government has also attempted to motivate the private sector to help out in this situation of despair. A recent order from the Ministry of Corporate Affairs allows companies to attribute funds utilised to combat coronavirus as part of the mandatory CSR spending under the Companies Act 2013.

Beyond CSR, research has shown that taking care of people and communities in times of crisis can give a brand/company long-term benefits like employee loyalty, improved relationships with value-chain stakeholders such as suppliers.

Given the scale of impact this pandemic is going to have on India and globally, it is essential to acknowledge that all hands on deck is the need of the hour. Family firms are one of the major stakeholders in the Indian economy and their actions could make the ride less painful for many.

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