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Lessons from India's leading family firms

Wednesday 2nd June 2010

Slated to become the fourth largest economy by 2050 with projected growth of 5% or more over the next 40 years, India has much to teach the rest of the world, writes Jennifer East. Family firms in particular can learn from the way many leading Indian families blend tradition and innovation to groom the next generation.

Traditionally, India's joint family system encouraged members to pool their resources, maintain the family unit and invest in business ventures. Sons usually began work in the family business at a young age, and slowly made their way up the chain of command after a thorough grounding in all facets of the business.

Ajay Shriram of DCM Shriram Consolidated was exposed to hard work in his family's factories while still in high school in the 1960s. After completing his college degree in Mumbai and a short internship with a joint venture partner in the US, he spent four years labouring in his family's sugar mill before he was offered a management position. Shriram now chairs one of India's largest business houses.

Like many Indian family business leaders, Shriram continued the tradition of hard work as he prepared his son for entry into the business. Aditya Shriram spent time in the family's factories during summer breaks from high school, studied engineering at Cornell and spent a year as a labourer in the family business after university.

Another enduring value for many leading Indian families is thrift. Aditya Shriram was required to use local buses during high school, shared a flat with friends at Cornell and was not allowed a car while at university. Malvinder Singh of the Religare, Fortis and Parkway dynasty learned his family's pharmaceutical business by riding on the back of a scooter with company salesmen, and took the bus to college.

Although traditions of hard work and thrift form part of the philosophy for preparing the next generation of business leaders, many Indian families have also embraced the realities of the modern day economy.

Thirty years ago, India's closed economy required businesses to secure licenses for themselves and prevent rivals from doing the same. Keeping costs low was the key to profitability, and so many next generation family members were educated as engineers and trained to focus on operations.

Today, India competes with the world. In order to prepare their children for this new reality, Indian families have come to value the very best business education and solid experience outside the family business. Aditya Mittal of ArcelorMittal, the world's largest steel firm, graduated with honours from the Wharton School of Business. He learned the ropes at Credit Suisse before heading up mergers and acquisitions at his family's firm. Much of ArcelorMittal's growth, and its role in consolidating the worldwide steel industry, can be attributed to Aditya's mergers and acquisition activities.

In a country where women traditionally did not play an active role in business, Indian families have begun to groom daughters for the corner office. Pallavi Gopinath completed an MPhil from the University of Birmingham, an MBA from the Toulouse Business School, interned with the BBC and worked at Airbus and ATR prior to joining the family business.

Gopinath is now a manager in ground operations at her family's aviation business Deccan 360. Her business experience and education enables her to make a meaningful contribution to sales, business development, branding and working with top management. Without such a thorough grounding in international business practices, Gopinath would not be nearly as valuable an asset to her family firm.

Many Indian firms rely on the kind of strategic direction provided by next generation family members. With a degree from New York University and an MBA from the Indian School of Business, Zahabiya Khorakiwala is now responsible for operations and strategic direction at Wockhardt Hospitals.



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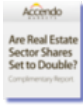
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At their best, Indian family businesses combine the wisdom of the past with innovative approaches to the global economy. Indian business leaders are preparing their children for leadership by reinforcing traditions of hard work, frugality and knowledge of business operations, and by exposing them to international business practices and education. Family businesses around the world would be wise to follow their example.

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