Essar group creates new tier in management structure

The Ruias of Essar group plan to reduce their operational involvement in business and make managements of their companies more independent. They are setting up the Essar Corporate Centre, an intermediary advisory council that will be the bridge between the promoters and the managements of the group companies. Essar group has also appointed several industry veterans as independent directors on boards of its companies. A senior executive of the group (who requested anonymity) said that they are transitioning from a family-run conglomerate to a set of independent board managed companies. He claimed that the independent boards are driving the companies with fully empowered professional management.

The group has brought in industry veterans Arvind Pande (former chairman and managing director, Steel Authority of India Ltd.) and S. Santhanakrishnan (former deputy managing director, State Bank of India) in its steel business. The group has appointed V. S. Jain (former director of Indian Oil Corporation) on the board of Essar Oil. The team of the group's mobile phone retail chain - The Mobile Store, has been strengthed by roping in Arvind Singhal (fromerly with KSA Technopak) and Neeraj Roy (formerly with Hungama.com). Many independent directors have also been appointed on the boards of other group companies like Essar Power and Essar Energy.

The promoters plan to step down from smaller group companies. Other companies like Essar Ports, Essar Agrotech and Essar Shipping do not have promoters on their boards. Kavil Ramachandran, Thomas Schmidheiny chair of family business and wealth management at the Indian School of Business, views this as a good move. *"It is considered as a mechanism to insulate non-family professionals from possible interference of family members in business operations. Hopefully, there are plans to keep the younger generation actively engaged in entrepreneurial activities outside the main businesses,"* he said.

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