

Family-run Conglomerates Diversify

Family business conglomerates that made wealth from their strong manufacturing capabilities are diversifying into newer businesses. They aim to create value from knowledge-based products that have a promising growth outlook. The Ashok Piramal group that runs one of the country's oldest textile companies is diversifying in education by launching 'Piramal World School' – a group of daycare schools to address the needs of working parents. The group has made investment plans to the tune of Rs. 400 - 500 crores in the venture. The Aditya Birla group that owns huge manufacturing firms like Hindalco and Grasim recently bought 27.5% stake in Living Media group, a major media house based in New Delhi. The group's head Kumar Mangalam Birla aims to build a balanced portfolio for the group with equal focus on asset-heavy, asset-light and knowledge-based businesses. The group's earlier forays in telecom and retail were a part of this strategy.

Recently, Ajay Piramal who earlier sold his pharmaceutical manufacturing firm to Abbott Laboratories, bought US based analytics firm Decision Resources. *"Knowledge-based companies are turning out to be value-creators,"* says Piramal. Mahindra group is also incubating new-age businesses within the group. Mahindra Solar, an in-house startup, plans to set up solar plants. Mahindras also plan to go in the area of water treatment and management.

Indian family businesses took advantage of emerging opportunities since early 2000s and began diversification into new areas. Though the recession in 2008 slowed down this trend, now they are again looking to enter or acquire new-age businesses. *"In emerging India, family businesses are run by people with high entrepreneurial skills. They keep the industry-lifecycle in mind and grab new opportunities,"* says Kavil Ramachandran, Chair Professor of Family Business and Wealth Management at ISB. He opines that diversification of family businesses got a big boost with the next generation family members taking up top management positions in their businesses. *"Young people are always on the lookout for contemporary business,"* he comments.

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