

GMR to Re-organise Businesses

GM Rao started his business as a trader in a village, about 100 kilometers from Vishakhapatnam. Venturing into many businesses since 1974, his GMR group had created assets of Rs. 205 crores by 2001. This is when the group ventured into infrastructure projects of building roads and airports. The growth came fast and the group's asset base increased to Rs. 39000 crores. However, presently the group is facing many challenges like a huge pile of debt, an uncertain regulatory environment and wary capital markets. These have forced the group to re-organise itself. The first priority is to improve earnings from its assets. The road projects are earning money but improvement is required in earnings of airports and power projects. The second thing that the group aims to do is to re-organise each vertical as a distinct company. It hopes that this would help the analysts better understand the group's businesses and thus appropriately value them.

Gearing up at the organisational front, the GMR group has put in place a family constitution that governs the family's relationship with the business. The constitution has divided the group's ownership in four equal parts among GM Rao, his two sons and a son-in-law. As GM Rao turns 70 and retires from the group, the three remaining members, presently being mentored by Rao through rotation of responsibilities, would decide about the next Chairman of the group.

Kavil Ramachandran, Thomas Schmidheiny chair professor of family business at the Indian School of Business, Hyderabad, says *"In the process (of drafting the constitution), the family members became more mature as human beings and business leaders. For example, they decided the last round of rotation of responsibilities, not Rao."* The GMR group is professionalizing itself with a programme to identify around 40 leaders who can become Vice-Presidents or CEOs of businesses in three years. Post 2015, the family members aim to withdraw from operational roles and focus more on strategic issues. GMR group has also formed a council of eminent thought leaders to advise its board.

Source: 'Crunch Time at GMR,' The Economic Times, September 4, 2012