

### The Marwari Mindset for Generation-Next

Of various business communities of India, perhaps none has evoked so much acclaim and so much success as the Marwari community. From being successful traders in the first half of 20<sup>th</sup> century, they first made a spectacular transition to becoming manufacturing based industrialists and then many built upon those initial foundations to establish multi-sector industrial groups having not only a pan-India presence but also making a significant mark internationally.

Of course, the last few decades have also seen rise of many businesses and business empires that do not have a Marwari lineage. Nevertheless, and arguably, a Marwari lineage still evokes a natural respect for business acumen even if the ground reality in some cases could be vastly different. With a fourth or even a fifth generation of Marwari businessmen now either at the helm of their enterprises or poised to take over the reins shortly, is there a case for them to make any fundamental changes in their mindset or can they continue to thrive with the same (or slightly modified) values and skills that their forefathers left as a legacy?

What distinguished the early generation Marwari entrepreneurs from those with other prominent geographical ethnicities such as Gujarat and Tamilnadu in the first half of the 20<sup>th</sup> century, and then those from Punjab in the post-independence years? Several qualities stood out that included an uncanny ability to spot the opportunity for arbitrage through trading in wide range of commodities and basic consumer goods such as textiles and tea, the willingness to move out of the region of birth and travel far or even relocate while chasing business opportunities, proactively creating appropriate business networks and value-chains through encouraging other Marwari would-be entrepreneurs to establish smaller support businesses e.g. ancillary suppliers, distributors and stockists, and retailers / others, having very intuitively simple but powerful business performance & financial control information systems (Partha), and an attitude that was generally frugal by nature where even personal consumption had an underlying logic of creating or preserving value (e.g. through real estate, gems and jewelry, art and artifacts, etc.) . India's uneven economic development situation, poor development of physical and information infrastructure in the early decades of the last century, and pernicious implication of millennia of caste system created enough trading-arbitrage opportunities for the early generations of Marwari entrepreneurs. During the second World War years and then immediately after the Independence, many of them were very well placed to be at the forefront of the nascent industrialization phase of India finding opportunities in myriad industrial sectors such as textiles, steel, cement, small electrical appliances, automobiles, and some others. The industrial license era provided further opportunity and even protection from market forces allowing many of the second and third generation businessmen (including Marwaris) to further consolidate their business empires and reap the steady benefits of rising demand usually chasing constrained supply.

While the first and many of the second generation Marwari businessmen circumstantially or willingly forsook any formal higher education, the third and subsequent generations had the opportunity to go to some of the best higher education institutions in India and then overseas. While getting more formal and higher education (of longer duration) had its own expected benefits, the unintended consequences of a more prolonged stint away from being directly involved in their own businesses or even the business environment (especially in the current generation where many have spent years of their formative years in the USA, UK, and elsewhere outside India) have also been many.

To start with, many mature North American and European businesses are in a very different evolutionary phase with active management of shareholders' interests through the Board of Directors rather than active involvement in the day-to-day running of the businesses themselves despite having professionally hired CEOs and other senior managers. Business education overseas is largely structured around the current (and relatively more mature) business environment in the developed countries, whereas India is in a state of unprecedented flux with changes in just about aspect of the demographical, social, political, and business environment. Within India, competition is increasing, and access to current business intelligence and to financial capital is no longer the preserve of a few. With all of this, India offers fewer trading arbitrage opportunities and much lesser regulatory or any other kind of protection to these third or later generation scions of established business families including those of Marwari ethnicity. And finally, the overall composition of Indian economy has changed and continues to change very rapidly with emergence of many new sectors that have a very strong technology foundation (such as telecom, automobile and other transportation, energy, etc.) and having very powerful global competitors.

Many of these young (or relatively young) scions are caught in the dilemma of how much hands-on to be, and how much to rely on mountains of sophisticated computer generated business-intelligence dashboards versus the intuitive, practical business sense of their forefathers. If seeking new opportunities, then the dilemma relates to which one to be in since many are unable to identify any unique competitive advantage for themselves. And

finally, if it can be said, many of these young heirs have an attitude and a personal lifestyle that is the very antithesis of the natural frugality and discipline of their earlier generations.

The coming decade will provide a very interesting answer to how well the very illustrious Marwari community has been able to adapt to the 21<sup>st</sup> century, and how well they would do in a fundamentally different business environment compared to that in the 20<sup>th</sup>. There is no reason to believe that they cannot successfully do so provided the various members of this very unique community apply a very serious thought on what values and skills to retain from the past, and then on what new values and skills to acquire and imbibe that can see them build upon their very rich and inspirational legacy.

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