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## Why Indian family businesses are acquiring hundreds of firms abroad

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The past decade has witnessed a new phase in the growth strategy of Indian family businesses. One account says there have been 250 or so acquisitions in Europe alone by Indian firms, many of them midsize, in the past decade.

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There are indeed patterns in these strategies. Why go abroad? There are many reasons for Indian acquisitions or investments abroad, ranging from access to market and technology to accommodating a family member's personal preferences, as discussed below.

#### External factors

Indian firms looking for new growth avenues beyond the domestic market do not find it easy to enter and quickly establish in a mature Western market. The cost of brand building and developing a distribution channel is high, and it's risky. A study of Indian investments abroad during 2000-2007 by the faculty at the Leeds University Business School, UK, had found access to market as the prime reason for Indian acquisitions in Western markets.

Of course, other factors such as access to technical know-how have also been significant influences. There are also several instances of acquisitions as part of backward integration to access raw materials. Besides, the slowdown in the West has made such acquisitions easier and cheaper.

#### Internal factors

While opportunities have always been there, growth in India's stature has not only built respect for Indian firms, but also given greater confidence to Indian entrepreneurs to venture into so-called developed markets. The post-liberalisation era has given a growth appetizer to Indian entrepreneurs whose hunger for growth could not be met by the domestic market alone.

Availability of funds also enabled family businesses with a decent track record to raise money for such acquisitions. Transformation of many family businesses into a jugalbandi of family and non-family professionals has created a new growth resource that nobody can ignore.

Growth-oriented family entrepreneurs have learnt to respect the balanced views of professionals from within and outside the family to make objective analysis and quick decisions.

In some cases, family considerations of the promoters have also influenced such decisions, particularly choice of location of the office! However, it is rare that a family would make significant investment in a venture whose techno-commercial feasibility is questionable.

#### Strategic fit

Whatever be the external or internal factors, there has to be a strategic fit between the two to make the investments beneficial. Family entrepreneurs tend to be cautious while trying to integrate domestic operations with overseas acquisitions .

While they appoint a few trusted colleagues at the new location , they tend to work with locals for improving efficiency. Yet another dimension of their strategy is to have a balanced **portfolio** of activities which include global presence and stable cash flow. International acquisitions enable family businesses to meet risk management targets better.

**Learnings**

The process of global expansion is part of achieving growth and international stature for Indian firms. There are several key observations to make from this experience. In a globalised **environment**, opportunities may exist in the most unexpected geographies.

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This may be to add value on the market side or internal resources side. Family entrepreneurs need clear growth strategy, as also willingness to consider opportunities beyond their immediate horizon. There is a need for blending entrepreneurship and professionalisation , often considered mutually exclusive.

"Entrepreneurial professionalism" has the best qualities of entrepreneurship such as opportunity spotting, creative thinking and quick decision-making blended with objective analysis and detached passion in making organisational decisions. Here clear goals of the organisations drive final judgment.

Inorganic growth as a strategic option is easier said than done. Family businesses stuck with multiple internal challenges will find it difficult to make progress this way. It is families with clear norms of governance with entrepreneurial professionalism that make the best of such situations.

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