

Leaders are good at their balancing act. They know how to prioritize and solve problems.

This article features an interview with Gaurav Dalmia, Chairman of Landmark Holdings. He is a third generation tycoon from the Dalmia group, an Indian business conglomerate. Today the family-owned business powerhouse has interests in cement, industrial ceramics, chemicals, engineering, and trading. They have now started going into new areas. In services, for instance, they are into software, investment business, real estate financing etc. He was also selected as the global leader for tomorrow for the year 2000 by the World Economic Forum.

Interviewer: How did the new economy companies fit into the backdrop of your family owned conglomerate?

Dalmia: The old economy was reasonably stable and the cement and ceramics businesses were doing well. The new businesses obviously need more attention; they are babies and so we want focus there and so we focused on new areas such as software, and it did very well.

It is just that you do what you like and try and make money; there was no plan beyond that. Similarly with investments, we started investing in the stock market, some pre-IPO (initial public offers) investments, not quite venture capital. As we got better, we went deeper and deeper into the business and into more early stage investments and in ten years we worked with Alliance Capital, Morgan Stanley, etc. and learned a lot about investments.

Interviewer: Was your vision at that time to essentially try to develop the financial services in the early 1990s?

Dalmia: We started by doing a syndication of deals. It wasn't financial services as much as investing. We invested our own money along with co-investors. It wasn't classical financial services such as investment banking or brokering. Today we have a software company and we have an investment business, comprising several companies. We are also looking at a distress debt business because there are a lot of bad loans which the banks can't solve.

Interviewer: Essentially how would you define the vision of your new business initiatives? What problems have you encountered?

Dalmia: We want to be a versatile investment shop, which is what we are becoming, so we have early stage technology investments, late stage private equity, real estate financing and we are looking at distress debt.

In the beginning there were lots of problems; the first was that everything was new and we didn't really know what we were doing, neither did others and we were learning as we went along. I think we learned pretty fast and pretty well, but we did get burned a few times and lost some money and we felt frustrated with ourselves at times.

I am the third generation in the family business and so I am supposed to destroy it all. We are very conscious of it and committed not to do so. Family business scions find themselves in a pretty tricky situation which an average entrepreneur does not face: Why run the extra mile? Why take unnecessary risks? Let's live a conservative and easy life. There was subtle pressure from family members saying that we needed working hands in the family business and I had to consciously overcome all those stages. Other than that, there were no systemic problems, the problems were, like I say, sometimes errors of judgment, or the emotional highs and lows which any entrepreneur goes through.

Interviewer: Have you taken a wider view towards this, perhaps a shift from manufacturing to services?

Dalmia: Services are better. It's a fast growing sector and it's something for which we have a natural aptitude, but it's not consciously services versus manufacturing. Play a game you play well and if you don't know the game, then you need to try and learn the ropes.

Interviewer: What about the IT boom and subsequent bust?

Dalmia: Because we came from the old economy we were more conservative. We were only partly seduced by the new economy buzz, so to that extent we played our cards reasonably well and we didn't get our fingers burnt as many others did. The other thing was that we focused a lot on implementation risk.

I like information technology although I am not seduced by IT like people were in 2000s, I don't think it is going to solve India's problems. I look at it as a black box. There are only a handful of industries which have a 30% net margin and they grow at 20-30% a year for 10 years. Information technology is one such industry. Compound this over 10 years and you could make an amazing amount of money, which is why I like IT. I am in love with this black box which generates such wealth and that is why I treat IT as a special case. It has marginally shrunk because the labor arbitrage has narrowed and that's fine, it will perhaps be a window of opportunity for 20 more years after which it will vanish, that game will be over and then let's look at another black box. Nothing is permanent.

Interviewer: Any other green field areas in which you are interested?

Dalmia: I am a great believer in real estate. It's a high growth business, and it happens to be the largest industry in the world. Forget real estate speculators and forget the current problems so many people are facing because of over leverage or over ambition or plain opportunism; those are a part of any growth industry. The macro trends are very favorable. Urban migration is not going to change. The trend towards nuclear families is not going to change. Mortgage financing penetration will surely increase. The attractiveness will change a little bit as the economy grows faster or slower, but the fundamental trend will not change. There are also quite a few challenges. The developers are grossly undercapitalized and there are many people in this business who have no reason to be in this sector. Both of these offer opportunities to serious players. I think this industry is going to evolve dramatically.

Interviewer: So, it is essentially IT and real estate?

Dalmia: These are two special boxes within our private equity investing. But on the whole, we will invest in anything. We have a bottom-up view. Also, power is one sector within infrastructure that we truly believe in. Power will be the next telecom in terms of growth and wealth creation.

Interviewer: How do you look at the business process of outsourcing? Is that also a business opportunity?

Dalmia: I think that's very fast growing business. This kind of temptation and pressure to cut costs and increase market value will be there for every large company. Yes, I put it in the IT box, although the skills required are not necessarily IT: if you are providing accounting solutions, you need to know enough about accounting, if you are doing HR solutions, you need to know enough about pension plans in HR, etc.

Interviewer: Are you also looking at infrastructure, which is perhaps natural extension?

Dalmia: I have fundamental problem with the infrastructure sector. As a society we have been conditioned for way too long not to pay the market price for the infrastructure that we use: power, roads, water and so on, but how do you change the mindset of the consumer? I don't want to be a part of their education process because that might be too expensive. The government can make promises to give a fixed rate of return, but where is that? I have been reading cover stories on a how the highway business guys are going to ride away to glory. I

don't know, maybe they will. Financial statements of infrastructure companies just don't support the fact that this sector is a wealth creating machine. I haven't even bothered to go into it in detail, but my instinct says that I don't know whether people in enough numbers will pay the tolls to earn on their investment. I don't know and therefore we are staying away.

Interviewer: How do you think this influx of multinationals going to affect our industries? What do you think of China and the emerging economy companies?

Dalmia: India is a much bigger market than many other emerging economies. India has a far more diversified economy, so for instance many businesses that can prosper in India can't necessarily prosper in Thailand from a domestic manufacturer's perspective. I think it is a fantastic idea. I haven't figured China out. I don't buy all the numbers that come out of China. I don't think the reporting is correct.

Interviewer: Is there a lot of misrepresentation?

Dalmia: No, just a little bit, but I think China is a real threat. They are dynamic, they are aggressive, they are hungry and they are proactive. Chinese businessmen are very smart, very savvy and hungrier than Indian businessmen. There is no reason why Indian business can't use the benefits of China. We have a great deal to learn from them, their government, their society, and also the Chinese individual.

Interviewer: Do you think Indian businesses could learn from China?

Dalmia: I think so. China is a very aggressive economy across the board. The cost of production is lower than us, logistics is much better so they can turn around things much faster and, therefore, they can have lower cost.

Interviewer: How do you think it would affect India specifically?

Dalmia: Basically, as a very aggressive competitor they can drive your margins down. But I would think that China is a huge business partner, so it is also an opportunity for us.

I think China is making really long term bets. Look at the infrastructure they control in Africa. This has implications for Chinese companies seeking African commodity and mining concessions. China made this bet quietly some fifteen years ago and the rewards are being reaped today. China is capitalizing on the current commodities boom, not because of some historical accident, but because of foresight.

Interviewer: What were the factors which helped you accomplish your mission?

Dalmia: Well, one was international exposure with my education, travel, etc. Second was that we were fast to adapt to new trends, faster than other people.

Interviewer: As a CEO, what do you believe are your strengths?

Dalmia: I consider myself hardworking. I consider myself very involved and committed. I consider myself analytically strong, I think things through better than most people. I think I am very resourceful. If something is missing, I will try and find the missing piece.

Interviewer: What about weaknesses?

Dalmia: In terms of weaknesses I am impatient and short tempered. I switch off quickly, which affects my own ability to perform to an optimum level, but I am consciously taking care of this now. The world rewards courage more than intellect and I wish I had learnt this earlier. I used to rely more on intellect. I am beginning to take care of that weakness now.

Interviewer: Within the Indian context, whom do you admire as a leader?

Dalmia: There's a whole bunch of people. I admire Mr. Dhirubhai Ambani a lot. I met him once at a wedding and he was hanging out with the middle managers who were once his customers. His humility and sense of his history were very touching.

Interviewer: How do you define your philosophy of management?

Dalmia: My philosophy of management is Plan A: Survive, Plan B: Prosper and balance the two. One quote from Bertrand Russell summarizes it all: "The challenge before humanity is the balance that is needed between the discipline that is needed for survival and the chaos that is needed for prosperity." That's true any way you look at it. Whether, it's an economy transitioning itself or whether it's a student going from college into work life, or a business conglomerate trying to conquer the world. This is the balance needed at all times.

Lessons Learned: Leaders should have a broader and longer term vision; they cannot afford to be bogged down with day-to-day work of their organization. They do refrain from micro-management and think of the bigger picture.