

GEOFF HISCOCK
ENCOUNTERS TWO
GENERATIONS OF AN
INDIAN DYNASTY
WITH ITS MANY FEET
FIRMLY PLANTED
IN HONG KONG.

Family guys

To achieve all-round success in life, Hong Kong-based Indian tycoon Hari Harilela believes in the rule of three. “You cannot just focus on business,” he says. “You have to divide your life into three. Give one third to business and one third to family and one third to community.”

It’s an approach that has served the 87-year-old Harilela well in the long journey from his birthplace in Hyderabad – in what is now Pakistan’s Sindh province – to the pinnacle of corporate and community acclaim in his adopted home, where he heads Hong Kong’s biggest and best-known Indian family business, the unlisted Harilela Group.

The Harilela story is a compelling mix of disappointment, determination and eventual success, set against a backdrop of political change, economic calamity, war, occupation and colonialism. From impoverished street hawker on the mean streets of Hong Kong to international hotelier, Hari Harilela has been doing business for more than 70 years. Along the way, he and five brothers stitched thousands of uniforms for British and US soldiers, built one of Hong Kong’s most famous hotels (the 609-room Holiday Inn Golden Mile), invested in restaurants, hotels, food services, hospitals and financial services around the world and created a family abode that provides strength and tranquillity for their extended clan.

When *the deal* comes calling on a Sunday evening at the richly decorated mansion in Kowloon Tong that Hari and 70 other Harilelas call home, it is a double celebration: It’s the middle of Diwali, the Indian festival of lights; and just the day before, Harilela had been at Government House to receive Hong Kong’s highest honour, the Grand Bauhinia Medal, from the city’s chief executive Donald Tsang.

In the dozen years since Hong Kong replaced the British honours system with its own, fewer than 50 such medals have been handed out, and Harilela is the first citizen of Indian descent to receive one. The citation recognises “his long and distinguished community service, particularly his significant contribution to the well-being of the ethnic minorities in Hong Kong”. It notes his work in Hong Kong’s hotel and real estate sectors and his record of charitable contributions.

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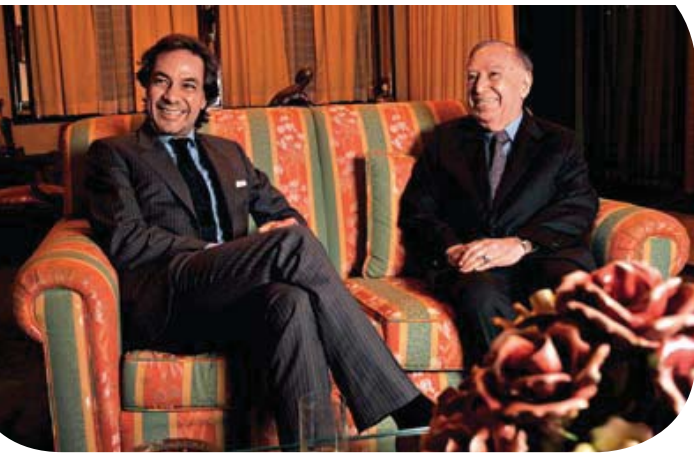
Sticking to the clan:
Hari Harilela (right)
and Aron, the son
widely seen as his
heir apparent.





Forsaken identity

The Harilela name – unique in the Indian diaspora – goes back only to the early 1920s, when Hari's father, Naroomal Mirchandani, moved from Hyderabad to Canton to set up a trading business. Not long after his arrival in China, Mirchandani received word that his mother was ailing. He quickly returned to the family home, but was too late; his mother had died and been cremated. An angry Mirchandani decided to create a new identity and chose Harilela from his mother's name, Haribai, and his father's name, Lelaram. Naroomal (died 1948), and his wife Devibai (died 1975) had eight children: six sons – George, Hari, Peter, Bob, Gary and Mohan (Mike) – and two daughters, Rani (died 1992) and Sandee. Three brothers have died (Peter in 1999, George in 2006 and Mike in 2007). Hari married Padma in 1948. They had five daughters (Maya, died 2005; Sheila, died 2004; Nina; Shakun; and Anita) and one son (Aron).



Hotel Harilela

That charity extends to educational bequests around the world. One of his granddaughters graduated from Bond University last year and Harilela and his wife Padma this year gave \$1 million to set up a scholarship there.

Despite that connection and the fact that two of Harilela's daughters live in Queensland, Australia is no longer on the radar in a business sense. The family owned the W Hotel in Sydney, but sold it to India's Tata Group in 2005. Harilela's only son, Aron, says they opted for a "strategic exit" as they found business in Australia hard going. Labour costs were high and the tax system too complicated for the group's liking. Also, the hotel was the wrong size. "At 100 rooms it was too small," Harilela says. "At 150, it could have been a different story."

For the gentlemanly Harilela, the real success is the way his family sticks together. He is one of six brothers and has two sisters, though only three of the brothers and one sister are still alive. Many of their children – and in turn their children – work in the business.

Numerically, family businesses account for about 80 per cent of the world's companies. But they often don't last as long as their non-family commercial counterparts. Olivier de Richouffitz, the Lausanne-based executive director of the Family Business Network International, notes that only one in 10 family businesses survives beyond the third generation. Another expert, Ron Norelli, of the US-based Family Firm Institute, says that in almost 40 years of advising family businesses, the one common factor among those that succeed is a "strong values system" transferred between generations.

Harilela agrees with their appraisals: "It's true. Family businesses fall apart." He says that to keep a business-oriented family together and pulling in the same direction requires a lot of sacrifice, tolerance and love. "Without this, you cannot bind a family together. In any family there are people of all types of intelligence and ability. You need all sorts of people to make a success of a business. And success is more than just money. It's a family going on for years."

The Harilelas have been "going on" since the early 1920s, when Harilela's father, Naroomal Mirchandani, arrived in South China to be a small trader. By the early 1930s he had changed his name to Harilela and made enough money to bring his wife, Devibai, and their three children, George, Hari and Peter, from Hyderabad to what is now Guangzhou. But not long after, the Great Depression struck, cleaning out the family fortune to the point where George and Hari were forced to work as street hawkers while they were still children. In 1934 they moved 150km south to Hong Kong in search of a fresh start. Then came World War II, Japanese occupation and years of privation before the economic stimulus of the Korean War, and later the Vietnam War, helped put the

Before Hong Kong's new airport opened in 1998, a landing at the old Kai Tak strip involved a white-knuckle descent through a gap in the city's skyscrapers to pick up a flight path over an area in which a three-storey height limit was in force. Among the thousands of properties on this flight path through Kowloon Tong is a white mansion on Durham Road and its adjoining annexe, which are home to about 70 members of the Harilela family, plus about 30 staff. It runs like a boutique hotel, with seven apartments covering 40 bedrooms in the main building and another six apartments with 30 bedrooms for the younger generations in the annexe. Along with dining and reception rooms, the complex has a pool, gym, sauna, home theatre and parking for 50 cars. The land's value will rise dramatically when the height limit goes.

Harilelas on their feet again. By this time, there were six brothers and two sisters, but Naroomal was dead, exhausted from the strains of the Japanese occupation.

Hari felt his lack of education keenly. "It was a weakness in me, that I didn't go to school past the age of 10 or 11. I felt a complex about it. So even at the age of 19, I was aware of how important education was. From my monthly salary of \$HK60, I gave \$HK2-3 for a child to go to school."

The next generations of Harilelas fared much better, attending the best schools in Hong Kong, followed by study at universities in the US, Britain and Australia. Aron went to boarding school in Britain and did his PhD at the University of Hull before returning to help run the hotel business.

Despite cultural ties, India doesn't figure in Harilela's plans. Hari says the group has tried for 40 years to establish an Indian foothold, but has never been successful. Every time a project neared fruition, something would come along and derail it. "We never understood the corruption," he says.

Aron's own picks for Asia are China and Hong Kong. In mid-October he told a hotel investment conference in Hong Kong that he would not invest in India because liberalisation of regulations had not been matched by a liberalisation of its mentality. "Doing business in India is very complicated. The locals know this, so you can be taken for a ride. Also at the hotel level, the price of land has been prohibitive."

The Harilela Group has no plans to list and doesn't reveal its turnover, which runs into hundreds of millions of dollars a year. It is owned by the six brothers and their descendants, and in Hari's mind there will only ever be six votes at the board table. Though not the eldest, Hari is group chairman by virtue of his wider interests and business acumen. He has veto power, but prefers to "reason things out" with his siblings. "Usually it works. I have used the veto maybe once or twice. For example, when there was a very high priced offer for our Golden Mile hotel about 20 years ago, the three youngest brothers said, 'Let's cash out.' But my elder brother, me and my younger brother stood firm. That hotel is worth a lot more today."

It may not sit comfortably with everyone, but Hari defines the role of the Harilela women as keeping the household together. He recalls a disagreement more than 25 years ago when all six brothers were alive. It ended in a plan to split the business. "We would each go our separate ways. But the plan leaked out to the wives. When they heard about it, they said: 'You can go, but we're staying. We're not leaving this house.'"

Succession is often a vexed question in a family business. Unmarried Aron, 38, is the only second-generation Harilela on the main board (in a non-voting role) and is widely seen as the next leader. When the issue is raised, he demurs. "That's not for me to say," he says, but points out that his expertise is in hotels and real estate, the group's main businesses.

Hari is more forthright. He has not named Aron as successor, but in his view no one else is qualified. "Conceptually, the other directors don't understand the hotel business philosophy, and they accept that. You have to be on top of everything – knowing when a room looks tired, room service, front desk."

Hari is not about to retire, though he is taking it a little easier. And he is always thinking of the future. "The world is changing, so we have to take new ideas into consideration or we will fail. I work closely with the younger generation. I hear their new ideas. I may or may not accept, but I listen." ■

Geoff Hiscock writes on Indian business and is the author of *India's Global Wealth Club* and *India's Store Wars* (John Wiley & Sons).