

Business in the Blood

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Abstract

Deep rooted cultural values, a joint-family structure; so many reasons make India the bedrock of family owned businesses. Right from the Indus Valley Civilization to modern times, family businesses in India are thriving and growing at an aggressive rate. Do you know that the world's oldest family owned business comes from India – House of Mewar? It was founded in 734AD and has been unbroken for 76 generations! The Foundation laid by those leaders has created an impact on nation building, wealth creation and employment generation. The present study is an attempt to throw light on the founders of those great family business houses in India and the importance of Indian family business.

Keywords: Family business – India – Founders – Generations - Succession

I. Introduction

Family business in India had been in practice since long, of course, with its changing nature and structure over the period. India enjoys a rich and glorious history of family-owned business. The origin of family business in India is traced back to the bazaar system in the ancient times. Initially, family

business in India started in the form of trading and money lending involving the hustle and bustle of the bazaar. It was also confined to certain communities, notably the Jains and Marwari's especially in the northern India. Families like Tata , Birla , Goenka , Murugappa , Bajaj , Modis , Bangurs , Mafattals , Godrej , Wipro are surviving since more than 3 generations successfully. Leaders with a clear vision and extraordinary perseverance laid the foundation for family business. Some such selected leader's amazing journey is discussed in this paper.

Objectives

The main objectives of the study are as follows:

- To identify the importance of Indian family business.
- To study the founders of Indian family business.

II. Overview of Literature

B.Indirapriyadharshini and Dr.P.Bruntha (2017) made an attempt to identify the attributes of family harmony and the reasons behind the women to enter family business. Primary data collected using questionnaire method and convenience sampling technique adopted for the selection of women in family business. A sample of 30 women respondents were taken on the basis of criterion that they should be running their family business. The study was conducted in Pollachi taluk of Tamil Nadu. The statistical tools used for the study includes Percentage analysis and ANOVA. The results indicated that most of women enter family business due to autonomy at work followed by more control and time convenience. Also, there is no significant relationship between the demographic variables of the respondents and the attributes of family harmony.

Osunde C (2017) states that Family businesses show higher profitability and generated significant revenue for the government in terms of corporate and employees' taxes. Family businesses retain and hire employees even in times of economic recession. They engage in corporate social responsibility

activities and are innovative and employ strategy as a means of sustaining their businesses from generation to generation.

James A (2006) opines split that followed the failed succession plan for Reliance Industries Limited is one of the most significant and publicized narrative in the Indian corporate sector. The long feud that followed the death of the founding patriarch Dhirubhai Ambani highlights the critical role of succession planning in large business families. Succession planning becomes extremely critical in the emerging markets where the legal and institutional arrangements regulating the corporate entities and the corporate governance practices are still being developed.

III. Materials and Method

Paper's study is descriptive in nature. The data used is secondary in nature and has been collected from various websites and journals.

IV. Importance of Indian Family Business

Two out of every three listed company in India is family owned. In fact, India has the largest block of family owned businesses in Asia. According to the CII's Family Business Network (India chapter), the gross output of these family-run businesses accounts for 90% of India's industrial output, 79% of organized private sector employment, and 27% of overall employment, superseded only by the government and Public Sector Undertakings, companies in which the government own the majority of the equity. According to the Private and Entrepreneurial (P&E) Client's Family Business Survey 2016 by Price Water House Coopers Pvt. Ltd. (PwC):

- 75% of Indian family businesses have grown in the last 12 months
- 84% expect to grow either steadily or quickly and aggressively over the next 5 years
- 56% of Indian family businesses feel the need to innovate will be a key challenge in the next 5 years
- Only 15% of family businesses have a robust, documented and communicated succession plan

- 35% plan to pass on management to the next generation
- 48% plan to pass on ownership but bring in professional management

V. Founders Of Indian Family Business.

Some of the family business leader's amazing journey is discussed below:

Shiv Narain Birla

Seth Shiv Narain was the son of Seth Sobharam. Shiv Narain Birla was one of the early Indian traders to participate in this cotton trade. Later, Britain vigorously fostered the trade of opium with China and developed the cultivation of poppy in India. The - region (not far from Ahmedabad) became prime poppy cropland due to suitable soil and climate. Shiv Narain Birla and his adopted son, Baldeo Das Birla, made an enormous fortune by trading opium with China, and this formed the basis of the family's fortune. With growing wealth and increasing confidence, Shiv Narain Birla moved up the value chain and began chartering cargo ships in partnership with other Marwadi tradesmen to trade opium with China, thus by-passing British middlemen. To facilitate this, he moved to Bombay in 1863. Now Aditya Birla group operates in more than 33 countries, employs over 133,000 people and has annual revenues of over \$35 billion. Birla also founded the Birla Engineering College - now the Birla Institute of Technology and Science, which is now one of the nation's best engineering schools.

Ardeshir Godrej

Ardeshir Godrej started out by studying law but didn't find much success as a lawyer. So, he went to Bombay and worked as an assistant to a chemist. Because of his great business sense of business, he saw everything as a business opportunity. Taking a loan from his father's friend he started to manufacture medical equipment used in surgery, such as scalpels, surgeon's scissors, forceps, etc. When he was satisfied that the quality of his equipment was world-class, he approached the boss of the company he was working for. His boss thought the equipment was great, but rejected the "Made in India" label, believing it wouldn't be marketable. Adershir wouldn't budge and the

venture never materialized. Later, one morning he read in the newspaper that burglary rates in Bombay were increasing and that locks weren't working as well as they should. He saw that as a business opportunity and started to research lock making. This venture was so successful he is now known as the lockmaster of India. Then he also made the first soap ever without animal fat: Cinthol, which is still used by millions of people. The locks made his company famous and now the Godrej group has diversified itself in the business of real estate, appliances, security, FMCG products, etc.

Jamsetji Tata

Jamshetji Tata is the founder of the Tata Group, India's largest conglomerate which employs more than four lakh people and enjoys revenue of over \$83 billion. He started out by setting up cotton mills in Bombay and then Nagpur. His dream was to set-up an iron and steel company, a science institution, a world-class hotel, and a hydro-electric plant. He only fulfilled one of these dreams in his lifetime: the Taj Mahal hotel, near the Gateway of India close to the Mumbai shoreline. According to legend, he wanted to found a world-class hotel because he was denied entry to a luxury hotel when he was visiting another country. Now, the Taj Mahal hotel is one of the most renowned in the world.

Kailash Chandra Mahindra

K.C. Mahindra was born in 1894 in the Punjab. After studying at Cambridge, for a brief while he worked at Messrs. Martin & Company editing monthly magazines INDIA and the Hindustan Review. In the 1940s, he went into the energy business, and helped develop the nation's coal policy by implementing the latest methods of coal mining. In 1946, he moved to Bombay to found Mahindra & Mohammed, which became an industrial powerhouse in many sectors of the economy. One of the founders was his brother Jagdish Chandra Mahindra and the other one was his close friend Ghulam Mohammad. But after India's partition Ghulam Mohammad went to Pakistan and the company was renamed as Mahindra and Mahindra. He was also director of RBI, Air India, Hindustan Steel, and Chairman of the Indian Aluminium Company. If J.C. Mahindra was the dreamer then K.C. Mahindra was the

implementer. K.C Mahindra was known for his micro-approach to everything and was a great executor.

Walchand Hirachand Doshi

Walchand Hirachand didn't belong to a wealthy family. His father was a small-time money lender but he had set his mind on something bigger. He dreamt big and made that happen. Simple living and big thinking were Walchand's foremost traits. He got started first as a railway contractor in partnership with Laxmanrao Phatak who was a railway clerk. Walchand was not content to sit quietly; he was always incredibly ambitious and worked actively to achieve his goals. While a railway contractor, Walchand bought a foundry and then a mining lease. Whatever business he got into, Walchand grabbed it with both hands. However, these decisions didn't sit well with his partner, who wanted to concentrate on a single business rather than diversifying. His partner soon quit. The original firm found it difficult to get large projects because of its small size so he decided it to merge with the Tata group. Walchand directed and oversaw some of the biggest construction projects of the pre-independence era. The construction company he founded was later named Premier Construction, with a major stake owned by Tata. In his later years, he went on to start a shipping company, the Scindia Steam Navigation Company which went on to grab 21% of the Indian coastal traffic. He then went on to found the first Indian aircraft company, the Hindustan Aircraft, first modern shipyard, known as Hindustan Shipyard Limited, and finally first car manufacturing plant, Premier Automobiles

Laxmanrao Kashinath Kirloskar

Laxmanrao Kashinath Kirloskar was the founder of the . He was born on 20 June 1869, in a small village, Gurlahosur in Belagavi District. Laxmanrao was fond of two things: mechanical objects and painting. Against his father's wish and with financial support from his eldest brother Ramuanna, Laxmanrao joined J J School of Art in Bombay in 1885. His first venture - a small bicycle repair shop at . The road, on which he started the shop, is today named as Kirloskar Road. Strongly believing that agricultural implements must fit the milieu they are used in, he manufactured iron ploughs, the first Kirloskar

products. He established a small unit in the former Aurangabad State for production of Chaff-cutters and manufacture of iron ploughs. In the early days, Kirloskar had to meet with opposition from farmers who believed that iron ploughs were poison to the land and make it useless. His dream was to build his own industry and community for his employees; he realized this dream with , a place where he started the Kirloskar Brothers Limited factory in 1910. Now the group produces , , compressors, screw & centrifugal chillers, lathes and electrical equipments like , and .

Dr. S. K Burman

Dabur was founded in 1884 by SK Burman, a physician in , to produce and dispense Ayurvedic medicines. Burman designed Ayurvedic medication for diseases such as cholera and malaria. The company forayed into Personal Care category in 1940s with the launch of Dabur Amla hair oil. Dabur demerged its Pharma business in 2003 and hived it off into a separate company, Dabur Pharma Ltd. German company bought a 73.27% equity stake in Dabur Pharma in June 2008 at Rs 76.50 a share. The German company had also purchased another 17.62% shares from the market through an open offer at the same price. Dabur's Healthcare Division has over 260 products for treating a range of ailments and body conditions, from common cold to chronic paralysis. Dabur International, a fully owned subsidiary of Dabur India formerly held shares in the UAE based Weikfield International, which it sold in June 2012. Cited to be the fourth largest Fast Moving Consumer Goods (FMCG) company in India, Dabur has come a long way since its inception. With over 130 years in the industry, Dabur has marked a niche for itself as the world's largest manufacturer of Ayurvedic medicine and related products. By 1920, new manufacturing units were set up by Dabur at Narendrapur and Daburgram. In 1972, Dabur's operations were shifted to Delhi. Later, in 2010, Dabur made its first overseas acquisition by buying Hobi Kozmetik Group for \$69 million.

Thirukkurungudi Vengaram Sundaram Iyengar (22 March 1877 - 28 April 1955) was an Indian industrialist and automobile pioneer. In 1911, he founded T. V. Sundaram Iyengar & Sons, a bus company which later diversified into

automobile production and emerged as the parent company of the , one of India's biggest business conglomerates. With his humble beginning as a lawyer, he grew into one of the most successful industrialists of his time. The Flagship Company of the group is established by his son T.S. Doraiswamy. He laid foundation for road transport industry in the erstwhile through the state's first bus service. The TVS group he thus started now extends from motor industry, auto services to financial services. The group has managed to run 33 companies that account for a combined turnover of nearly \$3 billion.

P. Nachimuthu Gounder

P. Nachimuthu Gounder laid the foundation of the Sakthi Group. In 1922, P. Nachimuthu Gounder broke away from his Dairy Products, Synthetic Gems manufacture and traditional business of hiring out bullock carts, Plantations. into pioneering a passenger transport service. From then on, there was no looking back. The Anamallais Bus Transport (ABT), the parent a dutiful corporate citizen, the Sakthi Group has organization of the Sakthi Group was founded in set up many educational and charitable 1931 with over 21 buses and a network in institutions, hospitals and religious centres. It stages, to cover almost all of South India. In 1946, P. Nachimuthu Gounder's only son activities and by creating employment N. Mahalingam joined the business. This young opportunity through its multi-fold agro-based engineering graduate brought with him fresh and other industries. Thinking, new ideas and innovations, adding more momentum to the growth. He ventured into manufacturing, based on the service industries experience. Straddling one of the fastest growing business groups in India today, the sakthi group is the story of the rs.1600 crore industrial conglomerates.

Conclusion

Family businesses are the backbone and the main driver of growth in most economies. Because of their nature, family businesses face many additional challenges to those that their counterparts have to deal with. Some of these challenges can be addressed by adopting a sound corporate governance structure within the company. This governance structure should clearly define the roles, responsibilities, rights, and interaction among the

company's main governing bodies. Finally, it is very important that families in business become aware of the importance of these issues and start building an adequate corporate governance structure as soon as possible. To succeed, family businesses should factor the impact of the global megatrends and digital disruption, innovate and leverage technology, professionalise and ensure smooth transition to the next gen. Strategic planning is required to ensure that family and the business remains aligned with each other.

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