S.P MANDALI'S weschool Welingkar Education

January 2016

samvad

Family Managed Business

Featured Article

Operations : Family Managed Business

WeChat

Ashok K Shah
Chairman,V-Trans

Also Read

HUF : The Indian Route to Escape Fine for Doing Well

About Us

OUR VISION

"To nurture thought leaders and practitioners through inventive education"

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

"*The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.*" - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

We school has chosen the 'design thinking' approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Message from the Group Director

Prof. Dr. Uday Salunkhe,
Group Director

Dear Readers,

It gives me great pride to introduce Samvad's edition every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone.

As we begin a new journey with 2016, I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Wishing everyone a very happy and prosperous new year.

Prof. Dr. Uday Salunkhe,
Group Director

From the Editor's Desk

Dear Readers,

Welcome to the January Issue of Samvad for the year 2016!

As we step into 2016, we promise to bring you the best that Samvad has offered till date. The response to Samvad has been overwhelming and the support and appreciation that we have received has truly encouraged and motivated us to work towards bringing out a better magazine every month. With renewed vigour and passion, we bring to you the January Issue of Samvad which revolves around the theme of "Family managed business".

With WeSchool having courses pertaining to all spheres of management, it was natural for us to cater to all kinds of readers. And that has made us one of the few magazines in the country which invites articles from all spheres of management giving a complete holistic view.

We work on the platform of "***Igniting Thoughts of Tomorrow***" and we will constantly strive to provide articles which are thought provoking and at the same time adding value to your management education.

We hope you stay with us, read with us, share with us and grow with us!

Hope you have a great time reading Samvad!

Last but definitely not the least, ***we wish every reader a very successful and peaceful year ahead!***

Best Wishes,

Team Samvad.

"For last year's words belong to last year's language
And next year's words await another voice."

T. S. Eliot.

Acknowledgments

Team Samvad would like to extend their heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by **Prof. Deepa Dixit**. Her insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for help in selecting the best marketing articles.

We would also like to appreciate **Prof. Jyoti Kulkarni** for her help in selecting the best articles on general management.

The Human resources article was scrutinized by **Prof. Rimmi Joneja**. We thank her for choosing the best articles.

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also we thank **Ms.Prachi Shah** and her team for helping us with the website updates of Samvad.

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.

Contents

An Interview with Mr. Ashok Shah

By: Team Samvad

(Chairman, V Trans India Ltd.)

1. Please take us through your professional journey right from the start of your career.

I started learning about the basics of transportation back in my village in 1964-65, when I was in 8th class. I would go to the office after school to observe how things go about in the office and eventually I was entrusted with responsibilities. Later, in college, I fell ill during the exams and quit studies. I devoted my entire attention to work henceforth. Initially I started handling the truck division and later in 1975, I was made the in charge of the accounts and finance division. At the age of 27, I was handed over the reins of the company. When I took over the company, there were certain areas that needed immediate attention. We had some loans to clear, some ownership issues, etc. I eventually mitigated those problems through effective financial and tax planning

2. Would there be any advantages for V Trans due to the exemption of policies in the new budget for the start-ups or businesses ?

Whenever a start-up comes up with an innovative and out of the box solution for a problem which benefits the consumer, only then can it be observed as a threat. In the current business context, all trading communities are not adopting the new systems and process. Those who are not adapting to the change, start-ups will create a problem for them. Companies who are in the food products, trucking or brokering business will face a challenge. All the brokers will have to the leave the system gradually. The most leading house in brokering and his owner, Motilal Oswal, once told me that, "These new start-ups are proving to be quite promising and will be threat for me". Brokering is their secondary segment, so it will not harm them as it will to the businesses whose primary focus is brokering. There are such softwares in the market that you can run your business with 0% brokering. Those businesses that are still operating traditionally and not adapted to the changing need of the current market will face a great loss. But a tremendous growth will be experienced; I don't know what would be the sources. There were times when we used to import a few products but now such is the situation that those same products will be produced in our country which will lead to increase the employment rate of India. The circulation of money will boost our economy. This will definitely lead to business growth.

Transportation business will not face a problem. From the beginning 92% businesses are unorganized and 8% are organized players. They are not much aware about the pricing of the services, so they are working on very thin margins. Transportation costs are high in India. Because of taxes and hurdles in the business, the input and output cost increases.

In the international market, for exporting a product they used to get costs for raw material consumption and other expenses. For Rs.1 product, our cost used to be Rs.5. This situation will be curbed and we will get the same thing in Rs.2.

We do not have the problem of manpower but it has been deliberately introduced. Due to policies like National rural employment guarantee act, people used to earn money without even doing any work. Today in India there are 45 lacs unemployed people. In 2012, the population of India was 121 crores but till 2020 it will reach 131 crores. The demographics increases by 6.5% but the employment ratio is not increasing in that proportion. It will lead to child labour. Due to increased number of unemployed people there is a need of lot many jobs which can only be provided by Make In India.

Compared to our country, average age of other countries would be 29 years in 2020; China would be 38 years and U.S.A 49 years. So they will need people to work for them which will be outsourced from India. This will lead to earning of some foreign currency and which will be used in the development of our country.

3. Could you please throw some light on the new ERP system that your firm has developed which promises to be a solution to many problems that persist in your industry?

We adopted ERP system in 2006 when our company due to this system. The speed of working has increased. It would have been really difficult handling such a huge turnover and workforce without this system in place. There are many advantages to this software like transparency has increased, tracking of all the offices from the desk, everyday business turnover, etc. Everything is now at my finger tip.

4. Lastly, please share some advice that you would like to give the young budding students who wish to start their own family business.

I have written a book for all the young budding entrepreneurs. If you want to enter into the family run businesses, then firstly you should look for the vision of your family and think about what you can do for your family. The more you nurture a plant, the more fruits it will reap. This is the basic principle that I have come across through research and followed in my life.

In business, always look for ways in which you can benefit your clients or vendors. If you will have this fundamental vision in your mind then no one can stop you from being a successful entrepreneur. Whatever business you are entering into, always start from the basic. If you want to run your own business then my advice to you is, before doing that work in the corporate world at least for a year or so. Because when you will work under someone you will realize the ground reality of the situation. It is not advisable for a child to directly get into father's shoes. Even for my kids, I made them work in the field first.

You should always enter into the career path where your passion lays; capabilities can be taken care of later. it turns into an institution.

Your business should always be sustainable even though there is not a single family member in the business. You should always have this vision in your mind. If you want to run your business in long-term then you should think about what are your guiding principles, ethics, values, transparency in your work and about having a family touch.

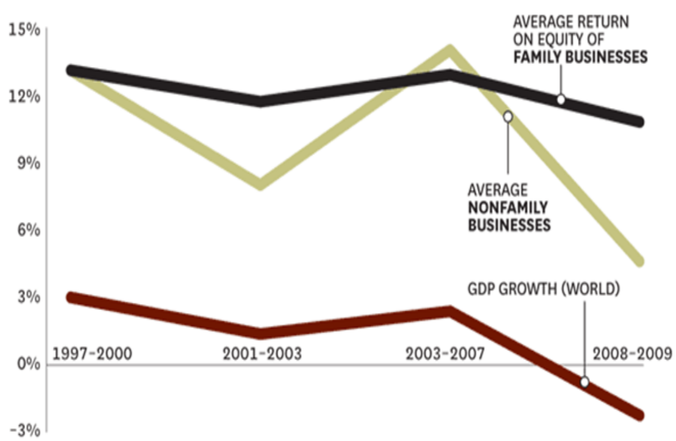
Initially your business is an organization but after 25 years your business should always be sustainable even if there is not a single family member in the business. You should always have this vision in your mind.

——-O——-

Family Managed Business– An Operational

By: Raghavendra Kedia, MMS (2015-17), WeSchool, Mumbai

To many, the word "family business" connotes a small or medium sized company with a local focus and a similar set of problems like squabbles over succession. While plenty of mom-and-pop stores may fit that description, it doesn't necessarily reflect the role that family-controlled businesses play in the world's economy. Not only do they include sprawling enterprises such as Wal-Mart, Godrej, Tata Group, and Reliance, but they account for more than 30% of the companies in the world and a staggering 90% of firms in India. The unique ownership structure of family businesses gives them a long-term orientation that traditional public enterprises often lack



Though family-run companies lag their peer group when the economy is doing well, they weather slowdowns far better

How are the operations of family run businesses different from the others?

- They're frugal when the times are good.

It's possible to identify a family business by just by walking into the lobby of its headquarters. Unlike many multinationals, mostof these companies don't have a luxurious workplace. While countless companies use stock options to turn employees into shareholders, family firms seem imbued with the sense that the firm's money is the family's money, this results in better management of expenses. If you have a look at the fig above you will notice that family-run businesses entered the recession with leaner cost structures, hence were less likely to have layoffs

- Their capital expenditures.

Family-controlled businesses are very judicious when it comes to capital expenditure. In most family businesses, capital investments have a double hurdle to clear: First the project should provide a good return on investment; secondly it's compared other potential projects, to keep company spending under a self-imposed limit. Since they're more frugal, family businesses tend to invest only in attractive projects. This is why they miss out on some opportunities (hence their underperformance) during periods of boom, but in times of recession their exposure is limited because they avoid borderline projects that may turn into money black holes.

- Less debt.

In modern times a good amount of debt is considered a good thing because financial leverage maximizes value. Family-controlled businesses, however, associate debt with fragility and risk. Debt means having lesser room to maneuver if a problem occurs. It also implies being beholden to an investor. As a result, the family-run companies don't need to make many alterations to meet their financing demands during economic slowdowns.

- Smaller and lesser acquisitions.

  Of all the plays a manager can make, a transformational merger/acquisition is probably the hardest to resist. Its surely risky but can pay huge dividends. Many family firms eschew such deals. They favour smaller acquisitions related to the core of their existing business. There are many exceptions to this when the family is convinced that its traditional sector faced with major changes or disruption or when managers feel that not participating in industry consolidation might endanger their firm's survival. But usually, family firms aren't keen on making such deals. Family businesses prefer organic growth and often prefer partnerships or JVs instead of acquisitions

- Better talent retention.

  Leaders of such firms reap the benefits of longer employee tenures: higher trust, familiarity with co-workers' attitude and decision making, a stronger culture. Intriguingly, family businesses don't rely on financial incentives to increase retention. Instead, they focus on creating a culture of commitment and purpose, avoiding layoffs during slowdowns, internal promotions, and investing in human resources. .

The simple conclusion is that family businesses focus on resilience more than performance. They forgo the extra returns available during good times in order to better their odds of survival during bad times. The CEO of a family-controlled business has financial incentives similar to those of managers of other firms, but the familial obligation he feels leads to very different strategic decisions. Managers of family firms often invest with a 10 to 15 year horizon, thinking on what they can do now to benefit the coming generations. They also tend to manage their downside more efficiently than their upside, in contrast with most CEOs, who try to make their mark through outperformance. At a time when managers of every company are encouraged to manage for the long term, well-run family businesses can serve as role models.

——-O——-

HUF: THE INDIAN ROUTE TO ESCAPE FINE FOR DOING WELL

By: Lavina Katara, MMS (2015-17), WeSchool, Mumbai

India, said to be a country with strong familial bonds, having businesses overwhelmingly owned and managed by them. Income for family members managing this business is joint, giving rise to provision for taxation for such entities. Today these HUFs in true sense have reduced a lot, as people are moving towards nuclear families and a safe job rather than running a business involving high risks. Nonetheless by human nature we tend to find loopholes in the system so as to save tax or rather should I say, avoid paying fine for doing well. Because of which we find people today who earn high individual incomes and also act as Karta of an HUF to save tax on a part of their income.

Image source: Google Images

<u>What is an HUF</u>

HUF is a separate legal entity that can be created by members of a family, who are lineal ascendants or descendants. In reality HUF is created automatically after marriage, but for taxation purpose one needs to register with the income tax authorities of India. It can also be formed by partition of an existing HUF with the consent of all coparceners. Coparceners are a member who by birth has rights on HUF assets. Other members have no right to claim share in property or business of HUF. After amendment in Hindu Succession Act 2005, females can get the status of coparceners and HUF can function normally with two female members after the death of sole male member.

Following are the pre-requisites required to form an HUF:

- Initial capital: HUF needs an income generating asset which can only come as gift from a relative(beware – gifts more than 50,000p.a may involve tax implications) or through a Will for all members of HUF
- Bank account in the name of HUF
- PAN Card in the name of HUF
- It is advisable to execute a deed on a stamp paper from legal and tax perspective.

The 'Karta' (can be female also) is the head of the HUF, and is liable to file tax returns for HUF in addition to his individual tax returns. Though the name says 'Hindu' undivided family, it is open to Buddhist, Jains and Sikhs also in addition to Hindus.

HUF: Capital Infusion

Taking into consideration the business that it intends to undertake a suitable name needs to be given to the HUF. This name is used for transferring money to HUF account from friends and relatives (who are not members of HUF) as 'gifts' which is exempt to the limit of 50,000. As far as possible avoid transferring money from members or Karta as this will lead to clubbing of incomes. But, if needed you can give loan to HUF.

One can, however, contribute his own money if it is tax free income like tax free bonds. In this case there will no scope of clubbing tax liability and tax evasion. This income can be reinvested in the name of HUF to earn more income.

If the turnover of the business of HUF is more than 25 lakh/ 1crore, Tax Audit would be required to conduct by a CA.

HUF to save tax

Some taxpayers choose to invest in tax deductable securities, while others create an HUF. An HUF has a separate PAN Card and hence their taxation is done separately. Because of this reason HUFs are mostly created by taxpayers with high income or ones with multiple sources of income. Tax for deduction and benefits for HUF are similar to the individuals except for the fact that in this case there is no income from the head salary.

.Let's assume there are four members in a family – Husband, Wife and two Children. Income of husband is 9 lakhs and they earn rent of 3 lakhs on property. Consider the following cases

Particulars	Case I	Case III	
		Individual	HUF
Income from salary	9 lakhs	9 lakhs	-
Income from rent	3 lakhs	-	3 lakhs
Total taxable income	12 lakhs	9 lakhs	3 lakhs
Tax liability*	1.85 lakhs	1.05 lakhs	5,000

*without considering cess and surcharge; and assuming he has not invested in tax deductible securities

Apart from the above example (rent), profits generated out of family business can also be considered as HUF income. Property can be bought on loan in the name of HUF or in joint with any member and claim deduction for loan

In addition to the deductions given to individuals, HUFs enjoy deduction for remuneration given to Karta and members and also loan given to them. HUF can claim exemption from tax for contribution on PPF account and LIC policies for its members and Karta

Conclusion:

Over a period of time HUFs can become a Pandora's Box as the HUF grows larger and larger, since it will involve taking consent from all coparceners. Especially if it is created with the aim of tax saving, it might not last longer. And in case the tax authorities feel that it is created for

——-O——-

Family Business

By: Sharvari Panchabhai, PGDM 2015-17 , NMIMS, Bangalore

Scope of family business ventures in 21st century India

Introduction:

Family businesses drive socio-economic development across the globe. They follow the opportunity-investment-expansion cycle. Family-controlled businesses are ambitious about the processes such as transformation, reformation and restructuring. In the emerging market like India, almost 90% of the businesses are family owned. The highly efficient family businesses in the country have now grown into mammoth multinational corporations such as Tata Group, Murugappa Group, Birla Group, Mahindra Group and many more. They are vital to the Indian economy as they are in some cases out performing non-family corporations. These corporations not only have a very wide range of business interests but also have forayed into diverse sec-

As the economic development, social environment, and life style of people are changing, the business opportunities for the business groups are also increasing.

Challenges:

Planning for succession:

Keeping the core values of the company intact from generation to generation is one of the challenges for the family owned businesses. They are loyal to the principles and ideals of the founder. The grooming of the business needs to be done as per the core values and the market requirements by the family members and outside professionals, if required.

Need of adequate Information:

The family businesses always need to keep in mind that the buyers in the product market are the employees in labor market and investors in financial markets. Providing adequate and reliable information is one of the challenges for them as there are chances that the information perceived by the buyers may affect their selling of goods and services. If little information is available then investors are reluctant to put money in the new enterprises.

Government Regulations:

The regulations by the governing bodies can distort the functioning of the markets. For instance, in emerging markets there is a restriction by the government on the layoff of employees, thereby, bringing stability to the society. However, the family businesses may not be able to tap the opportunities.

Judicial Systems:

The family businesses are reluctant to do businesses if they are skeptical that the other company may not hold up their end of bargain. Contracts ensure such things don't happen. However not be able to tap the opportunities.

Judicial Systems: The family businesses are reluctant to do businesses if they are skeptical that the other company may not hold up their end of bargain. Contracts ensure such things don't happen. However, the family- owned business needs to ensure that the contracts are enforced in reliable and predictable way. This will happen when the judicial system is more robust and efficient.

Attracting right skills and talent: Most of the family businesses in the emerging market suffer from a scarcity of well-trained people. In addition to that, vocational training facilities are also scarce. Government regulations also make it difficult to restructure its workforce as per the changing economic conditions.

Opportunities:

Despite all the challenges, the economic environment for business in India has changed over time. Post liberalization, the opportunities for entrepreneurs have increased exponentially and formulating the right strategic plan is essential for these entrepreneurs to make their family business a success. As per the survey conducted by PwC, family businesses in the country have aced the markets in the past one year and are confident about their growth opportunities till 2017. A vast majority (74%) of these ventures have expanded since 2012 and 36% have set a realistic target for a quick and aggressive growth for the next 2 years i.e. up to 2017.

Chasing growth and diversifying into unrelated domains might pay off in the short run, but for the longer time horizon, this may increase the risk and cash outflows. Designing a strong business model that can be scaled, sustained and logically diversified in the future is a better approach for the large business houses as well as families planning to start fresh ventures. Let us see the factors that have led to the increased opportunities in India for family business:

that have led to the increased opportunities in India for family business:

Technology requirements: Path-breaking technological advances are transforming and challenging the conventional business models, strategies and embracing the changing industry dynamics. Traditional business houses are wary of the risks their establishments face if they fail to either adjust to the new technologies or introduce innovative solutions to enhance the quality of products and offerings. 33% of the companies interviewed in the survey feel the need to regularly update in sync with the paradigm shifting technology changes that are leading to novel business models obsolete and hence, the need to put time and resources in research and development (R&D).

Rise of business education & family business courses: In the past few decades, the quality of business management education has grown in India along with the number of reputed institutes and courses. Also, there are specially designed courses for family business management in many of the premier b schools in India that actually cater to the knowledge requirements of the future successors of the big business houses.

Start-up culture & start-up policy reforms: With the current government giving impetus to "Make in India" campaign, the growth opportunities for the local players have multiplied.

Political stability: The current government is a single party majority and not a coalition. This means there is more stability at the Centre. The central government is taking some bold step towards globalization, trade promotion and increase the ease of doing business in India. All these factors are conducive for the growth of family businesses in India.

Conclusion: In order to cater to the emerging challenges including the not so healthy global economic conditions, the family businesses in India need to have core competencies and capabilities that works in tandem with strategy adopted by them.

——-O——-

Family Managed Business

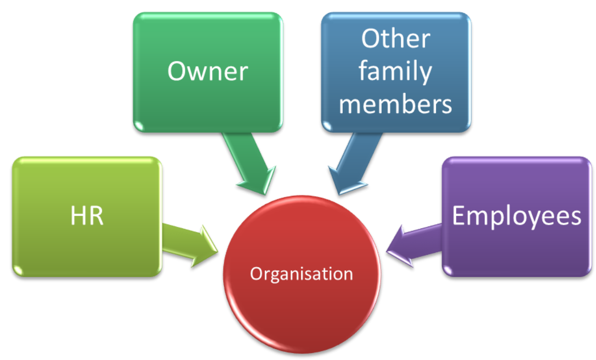
By: Vanishree Sattiraju, XLRI, Jharkhand

According to CII's Family Business Network (India chapter), family owned businesses contribute to 60-70% of the GDP in most developed and developing nations. In India, they employ about half of the country's workforce. Important as they are, family run businesses suffer from unique management issues and which are often extremely difficult to solve and threaten the survival of these organisations. In fact, only about 4% of the family run businesses survive beyond the third generation.

One of the key management issues that we would be looking at now is the aspect of human resource management. Edwin B. Flippo defines Human Resource Management as "the planning, organization, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished". The primary role of the HR is divided into three parts: Acquisition, development and maintenance of human resources. In a family run business, acquisition and maintenance are often very different from other organizations. In family-run businesses, the line between personal and professional is significantly blurred. This is especially true in case of people management or HRM. It becomes evident when we look at succession planning… A family run business will have two leadership pipelines- one, the normal business leadership pipeline and two, the family leadership pipeline. A family run business is both a normal business with its own hierarchy and organizational setup and it is also the family with its current and future leaders and people who have an emotional stake in the organisation. In order to be effective, an HR manager needs to balance.

An HR manager needs to be competent in not only acquiring talent for the organisation and developing them but also in ensuring that they are motivated and are able to see their future in the organization. At the same time, the HR manager should be emotionally intelligent to sense the behaviour, needs and aspirations of the family. The various stakeholders in a family run business may all have differing aspirations and goals; it is the job of the HR Manager to reconcile all the views and formulate mechanisms to use the talent available in the best possible way.

Let us look at the various stakeholders in a family run business and the typical problems that an HR manager may expect.



Human Resource Management Issues

1. Lack of Professionalism: A family run business is often perceived to not value professional human resource management methods. As such it is important to have clear and explicit rules and policies that are applicable to all without exception. Standardization and uniformity help an organisation beat the perception of bias or unfairness in evaluation.

2. Succession Planning: in family run businesses, one of the crucial decisions is of succession planning. Who among the next set of family members will be chosen to head the organisation is a decision that will shape the future of the business. Reliance, for example, did not have a proper succession plan in place when Dhirubhai Ambani died, leading to a rift between the brothers, Mukesh and Anil. The resulting fragmentation of the empire caused a major financial loss to Reliance. It is also seen that in most Indian family run businesses, only the sons were considered for succeeding the father. However, it is seen that involvement of the daughters brings more stability to the business as brothers often face ego issues.

3. Non-family members: The non-family members often come with preconceived notions about how things are managed in a family run business. They expect the top positions to remain with the family and therefore, do not foresee a successful career in the organisation. In some cases, there might be feeling of policies being unfair or biased towards the family members and the other employees may feel left out.

4. Compensation for family members: There is a need to maintain parity and equity between the compensation of the family and non family member employees.

5. Appraisal and performance management: Performance appraisal process needs to be the family members or proximity to them. Also, a fair evaluation is a source of motivation for the employees.

6. Inside vs Outside leadership: This is a persistent question faced by most family run businesses. While many of the organisations bring in external managers and heads to handle their businesses and remain in an advisory capacity only, there are others who believe in keeping the power to make the most crucial decisions with themselves. Whether to micromanage the affairs of the business or to exploit external talent for the same or doing a mix of both is an important strategic decision with long lasting impact. Family run businesses benefit from the stability given by the values and culture of the family and this is one of their biggest strengths. A good mix of family and non family members in the management leads to better decision making. However, the stakes are different for the non family members and this must be kept in mind while assigning responsibilities.

7. Training for family and non family members: While training for non family members takes place like in other organisations, it is often difficult to chart an effective training program for the family members. It is important for the family member to be closely associated and aware of how the organisation functions and the potential issues it may face. Thus, it is necessary for any family member to undergo special and extensive training.

Dabur Group

- Started in 1884 by Dr Burman, became public limited company in 1986
- Went for rash professionalization process in 1990s which got into trouble
- Experiment had several benefits and the owners restructured the organisation
- Group CEO and 5 out of 9 board members are non family professionals
- Dabur believes family has a trusteeship role

Godrej Group

- In its fourth generation, Godrej Group is over a century old
- Every generation has added products to the group's portfolio making it a highly diversified business today
- Never experienced any split; family patriarch remains titular head while the 3rd generation manages the businesses
- New generation joins at the lowest rng and undergoes training to climb the hierarchy
- Each company CEO has maximum freedom in decision making. However, consultation happens at family and business levels

Kirloskar

- Started in 1920s to manufacture diesel engines; has added products since
- Currently led by the last member of the third generation who worked actively in building synergy within the family
- 6 members of the 4th generation take care of the business but no aggressive growth options have been undertaken
- Measures have been inadequate in building long term business competitiveness
- Group turnover decreased from Rs 9.5bn in 1999 to Rs 7.45bn in 2004. Net worth has also decreased

•Family businesses in India have performed well in the previous year and are bullish about their growth over the next five years. 74% have grown in the last 12 months and 36% are aiming at a quick and aggressive growth over the next five years.

•Only 4% plan to sell or float the business although one-third will pass ownership of the business to the next generation employing non-family management. 50% of our respondents will pass the management to their next generation

•Only 12% of our global respondents stated that they will grow quickly and aggressively in the next five years

——-O——-

Godrej Group: 118-years of Evolution

Gayatri Mutakekar, MMS (2015-17). WeSchool, Mumbai

India is a bedrock of family run businesses. One of the family managed businesses which have an impeccable repute is "the Godrej Group". It is led by its 73-year-old patriarch Adi Godrej, a member of third generation of the Godrej family. In the Previous year (2015), the Godrej and family appeared seventh on the Forbes India Rich List with an estimated wealth of $11.4 billion.

The Godrej group has two major companies under its umbrella - Godrej & Boyce and Godrej Industries Limited. While, Godrej & Boyce continues to focus on consumer, office and industrial equipments, Godrej Industries Limited is more dynamic and looks after sectors including food, IT, real estate, retailing, FMCG etc.

The journey of Godrej group began in 1897, when Ardershir Godrej, a lawyer-turned-serial-entrepreneur decided to venture into manufacture of high security locks having guarantee of "unpickability" attached. Over the generations, the Godrej Group has evolved manifold into a giant conglomerate. Following are some key aspects which have helped the company thrive through multiple generations of management -

Impeccable Quality

The Godrej Group has been adamant on maintaining the quality standards since inception. During pre-independence era, Ardeshir thought that simply boycotting British goods was not enough to achieve independence that India would have to develop an economically self-reliant industry. However, he was adamant that the consumers should not favor indigenous products just because they were made in India. He would be resolute that the domestic manufacturers make products which are of equal or better quality than imported products.

Ardeshir was bitterly critical of the leaders of the Swadeshi movement who encouraged the acceptance of domestic products regardless of their quality standards. In his opinion, there was no valid reason why goods manufactured in India could not be as good as or better than those that were imported, and the encouragement to accept substandard goods was providing reinforcement to the idea that products made in India were automatically of lower quality than those manufactured abroad.

The Godrej FMCG strategy

Product:

Godrej concentrates on the sectors in which it has high market share. With respect to consumer goods it brought innovation in insecticides, hair colors and personal care which enjoy a significant market share. For example, Godrej Powder Hair Dye was evolved into a liquid hair color - Godrej Expert and went on further to become Godrej Expert Rich Hair Creme. The Good Knight Fast Card, a paper-based insecticide was introduced which was a smoke-free mosquito repellent.

Price:

While most of its competitors brand their products as premium, the Godrej group provides the customers "high quality at right cost". It tries to reduce the price by improving the operations and saving packaging costs. For instance, price of crème-based hair color -

Godrej Expert Rich Hair Crème, was reduced by packaging it in a sachet.

Place:

Majorly, the group follows '**3x3**' strategy of focusing on three emerging markets - Asia, Africa and Latin America and three categories - hair color, insecticides and personal care. Barring a single acquisition in UK, rest of its acquisitions are in developing regions such as Asia, Africa and Latin America.

Promotion:

Godrej uses paid promotions in different media. For the consumer goods such as insecticides & hair care its focus is on conveying the USP of the products through advertisements.

Acquisitions

The Godrej group's growth has been augmented by its far-sighted acquisitions. In 1994 it acquired Transelectra which was into insecticides which gave Godrej a stronghold in mosquito repellent market. It acquired Keyline Brands Limited, a prestigious name in the UK in year 2005 which increased its international portfolio with a total of seven international brands. In year 2006, it acquired Rapidol, South Africa which increased its share in ethnic hair color market of South Africa to 80% according to Telegraph.

In 2011, the group had laid out "**10-by-10**" strategy – with a motive to grow its top line 10-fold, from Rs. 15,000 Cr in 2011 to Rs. 1, 50,000 Cr by 2021. To achieve its target, Godrej has whetted its interests in acquisitions. It acquired Soft & Gentle brand from Colgate-Palmolive in UK in year 2013. In January 2015, it had acquired in Frika Hair Limited, a hair extensions company based in South Africa.

Diversification strategy

Unlike Dabur and Kirloskar families which have consolidated over the previous few years, Godrej has adopted a mostly inorganic growth strategy. But their growth strategy is based on the blue oceans concept where they have ventured into unprecedented markets and established themselves as market leaders. Their first mover strategy started in 1897 by bringing Anchor-the first lock and lever technology and they have never looked back ever since.

Adaptability

Adaptability has contributed to the success of Godrej group across times. For example, over the years it diluted its bureaucratic practices which were predominant during pre-independence and adapted decentralization. It has stayed relevant to newer generations of consumers by aligning its strategies with changing consumer needs. With the same motive, the logo of Godrej went through a makeover from red monochrome to a multicolored and bright design resonating spirit of the youth.

Barring a few acquisitions that were a miss, everything Godrej has touched has turned into gold. Despite being a family managed business, the 118-year-old brand enjoys a significant market share

———-O———-

Team Samvad

Members	
Aparajita Mittra	Editor
Molla Ramizur Rahman	Co-Editor
Lavina Katara	Finance
Gayatri Mutakekar	Marketing
Avani Thakker	Human re-
Mohit Jain	General Manage-
Divya Mahajan Shubham Thakur	Cover Page Design Incharge
Ameeth Pai Payal Rathi	Samvad mailbox and PR
Pooja Venkat Neelkamal Mishra	Offline Promo-tions


If opportunity doesn't knock, build a door.
—Milton Berle