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Case Study: Family Business -Perspective Management

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This case comes from an Asian context, by outlining the most important and distinctive challenges for family business. Where it starts with Rajeev, who is aged 74, a mechanical engineer started a business of trading in engineering products in Mumbai in 1970. His younger brother Anil, now aged 68, also a mechanical engineer, joined him in the business in 1975.

Initially, they started with trading in a small way and then got a supplier to produce the products as per their design. As their scale increased in 1981 they set up their own factory. Since both the brothers were engineers, they developed a good grip on the products and gradually the business started growing. By 1992 they had a turnover of Rs. 5 crores.

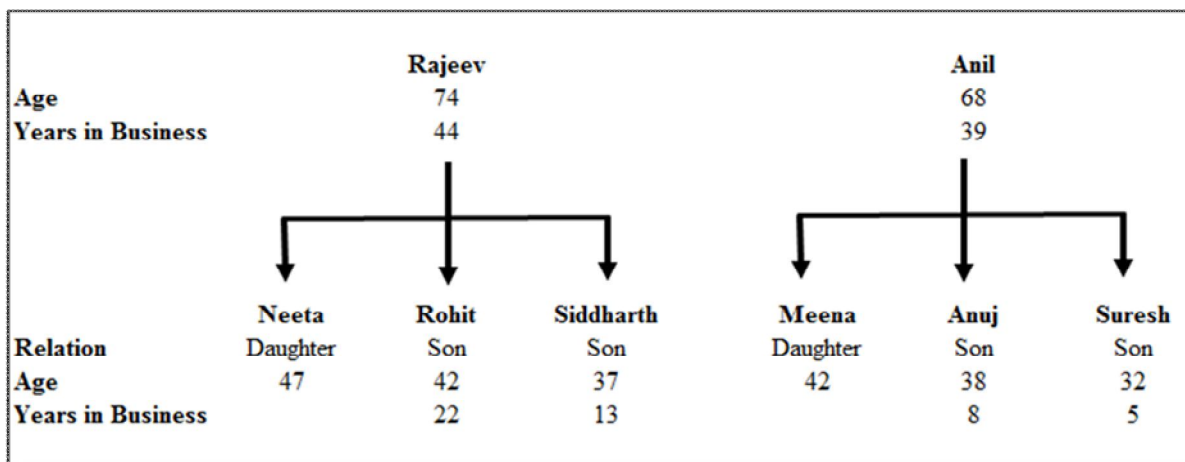


Figure 1: Family Demographics at Glance

As can be seen from the family tree both the brothers have three children. Rajeev has one daughter Neeta, now aged 47 who is married and lives in another city with her husband and children. Rajeev also has two sons, the elder one Rohit, now aged 42 and younger on Siddharth, now aged 37.

Anil also has one daughter Meena now aged 42, married and living in the same city with her husband and children. He has two sons, the elder one Anuj, now aged 38 and the younger one Suresh now aged 32.

Rajeev was very particular in bringing up his children. He believed in rigorous and demanding approach. He will make them do various courses such as photography, public speaking, personality development etc. He will discuss with them to plan their career. He was very clear and both his sons were very clear that they have to join the family business. The elder son Rohit was not that good at studies. He completed his diploma in engineering. While he was pursuing his studies, Rajeev kept him involved in the factory and business. Once he completed his studies Rajeev planned his working with his Italian supplier at their plant for 2 months to get exposure to European practices. He deputed him to the factory to study the working and learn the operations.

Rohit joined the business in 1992 and for the next three years Rajeev would plan the detailed program to facilitate his learning. Rohit was of mild temperament and whenever he had differences with his father, out of respect for his father he would follow the suggestions of the father. He worked hard and got himself immersed in all nitty-gritty of the business.

Siddharth, the second son of Rajeev was of independent thinking nature and will want to do things in his own way. He decided to pursue B.Com and worked outside for two years to gain experience. Anyway he was also clear that he would join the family business and joined it in 2001. Rajeev suggested him to spend three months each in various departments. Siddharth followed it well, worked hard and in a short time developed good grip on the various aspects of the business.

Thus Rajeev had carefully groomed his sons for joining the business, helped them to systematically plan their induction and they also in turn followed the plan by putting hard work.

The younger brother Anil had a different approach. He permitted his sons to do whatever they wanted. He did not indulge in planning for their career as he perceived it as imposing parents' dream on the children. Both his sons Anuj and Suresh pursued commerce studies and were not keen to join the family business. They felt that the family business was very small and was not run properly. Both of them wanted to start something of their own. They did not even complete their graduation as according to them it was not practical and was a waste of time. Instead, they tried two-three ventures in partnership with some friends. Anil would give them whatever capital they needed and did not ask them, nor got involved in guiding them as he believed that both of them were smarter than him and was confident that they would do better.

Between Rajeev and Anil they both had very good equations. They had fixed monthly withdrawal but could also further withdraw any amount from business as may be required. They never asked each other about the same. Rajeev's elder son Rohit joined the business in 1992 and he did not get himself involved in the accounts of the business. However after Rajeev's second son Siddharth joined the business in 1988, with his commerce background, he got involved in accounts and finance of the business.

Siddharth soon realized that his uncle Anil had withdrawn large amounts on two occasions to give capital to his sons Anuj and Suresh for their ventures with their friends. On both the occasions the ventures had gone bad. Siddharth felt that these ventures were not well thought out and in any case he felt that such matters should have been discussed as after all money was going out from a family business.

Siddharth first brought these matters to the attention of his brother Rohit and together they decided that it should be taken up with the elders, their father Rajeev and uncle Anil. When they called for the meeting and raised the issue, both the elders were silent and were not inclined to take the discussion forward as it would rock the boat.

However the cousins continued to lose the money on more occasions and eventually it became a serious issue even between Rajeev and Anil. Rajeev was always concerned that Anil had not groomed his sons well. Anil on the other hand felt that there is no harm if children make some losses as they will learn the business that way only. Both his sons will try new venture and will come out with reasons why the venture could not succeed and continue to project that they were good but situation turned out unfavorable.

Eventually there was a split in the family in 2010. Rajeev and his sons took one part of the business and Anil took another part of the business. Both his sons eventually joined him in the business.

Now in 2014, Rajeev has almost withdrawn from the business. Both his sons are actively pursuing the business with tremendous sincerity and have grown the business significantly. They have reached sales of Rs. 20 crores with good 20% profitability. They are excited and believe that they are in a great business and plan for quantum jump in the coming times.

Rajeev has been giving them his feedback about their working and they appreciate the same with an open mind. There are occasionally serious disagreement between them, but they manage the same and make a virtue out of the same.

Anil continued to carry on his part of the business. His elder son Anuj is in business for 8 years now and has become more realistic. However, he does not have idea about many aspects of the business and Anil has to take care of the same himself. They also have grown the business to Rs. 15 crores. However, their profitability is 5%. The younger son Suresh joined the business in 2004 but even now he does not take any responsibility. Both the sons do what they want and are not accountable. They believe that their elders have not done proper business and because of that they are stuck with outdated and non-profitable business.

Anil initially had left both the sons on their own. Now that they are involved in the business, he has to point out their mistakes. When he does that both of them get resentful and tell that he is always finding their mistake only. There are often arguments on the same with Anil and at the end they avoid talking to each other to the extent possible.

Case Discussion

Q 1) one of the important quest of the founder or the leader of the business is the succession that is to survive and pass on the business on to the next generation, what do you think is the problem faced in this case with regards to succession?

Q2) Induction is the process of initiating and training the younger generation members into the family business through an orderly process, what are your views on the induction methods and training adopted by Anil & Rajeev? Justify your views with theory?

Q3) Case also focus on daughters not entering in family business? Why justify & what can be a process foe daughters getting inducted in the family business?

Q4) It is not always feasible for all of the children to be involved in the management of the business, then what should a family business do?

Other Key pointer to Discuss

Trust, Relationship, Generation Gap, Gender, Experience, Entrepreneurship, Family Dynamics, Family Structure, Leadership, Mentoring & Coaching, Attitude, Personal Role, Sibling Bonding, Decision Making, Problem Solving Strategies, Conflict Management, Interpersonal Communication, Perception, Individual Differences.