Managing Turbulence in Family Business Management

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Abstract - Many great men and women were bold enough to bring a change to their family and to the economy of the country by being pioneers of starting up companies along with the support of their family members. The success of many family owned businesses in India is through the principles that are followed by the second and third generations who continue to support and uphold the quality of the enterprises started by their ancestors. This conceptual paper aims to find the trends and challenges in family business management along with a case study of a South Indian family run business. The main challenges faces by the current generation owners are the decisions in the call for creativity, matching right person for the right job, use recent technologies favorable for the company and still carry forward the main objective the company was built for.

Keywords: family owned business, trends and challenges

I. INTRODUCTION

The oldest form of organization which helps the economy of the world in general also created vast business opportunities throughout. Family Business constitutes to the major part of the business in the economy of the world. Although there are fortunate and unfortunate reasons for a family owned business to flourish or to fade away. The paper tries in bringing out the trends and challenges faced by family businesses. A family owned business goes through various stages of survival depending upon the smooth transformation of ownership and control to generations. Every new member is a new trend for the business.

The option the company has to diversify and attract a larger share in the market is widely open in the current economy. The trend to convert forgotten values and information into hi-tech oriented products now supports the business to generate a great deal of profit. The business might face challenges of family politics, confront on succession planning and involving non-family members in the business. The difficulties faced by younger generation in proving themselves to the older generation are met in almost all the family run businesses.

The family cannot be detached from the business, so when it comes to challenges like succession, the influence of the family upon the business, the dilemma in decision making inside and outside the family, gender based challenges and many conflicts that are involved in the day to day business. Most of the multi nationals are largest family firms that hold a considerable part of the holdings of the company like Samsung, BMW, LG Group, Robert Bosh were a mere or descent percentage is controlled by the family.

The change to iPads and smart phones, from fast cars to super cars we are travelling along with the world towards change. These trends are brought to us from the old to new, from the successors and from the moving on generations. The Family owned business are also following and taking up the journey of change to exist in this economy. Some trends are welcomed; some trends are a challenge for the business by itself.

II. Family Business Management

Family Business has been the root and the hold of many companies that are now expansive multinational organisations. According to Kluckhohn and Strodtbeck (1961) Indian culture is subjected to the belief that destiny and God controls everything. The definition for family business though has been given by many authors and experts, as put by the words of Ernesto J. Poza’s Family Business, 2013 it is a business that is controlled by the same family or a small number of families that is sustainable for a number of years and for the next generation.

This case study deals with the evolution and growth of a family owned business that crossed generations with

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1 According to PWC’s Family Business Survey 20012-13, 74% have grown in the last 12 months and 36% are aiming at a quick and aggressive growth over the next five years and 78% of family businesses in India have the required procedures in place to deal with family member issues and conflict.
challenges, developments and sustainability. When the survival of family business is averaged on the second generations, there are small and medium sizes family businesses which still pass on their fame and name beyond second generations. These family owned businesses constitute to more than 30% of all companies with sale in excess of $1 billion.

III. Case Study: The Beginning

V.V.V & Sons Edible Oils Limited, the manufacturers of Idhayam, the largest independent, in the years before Indian independence, between 1930-1940 four brothers V.V.Ramasamy and V.V.Dhanushkodi were commission agents with trading offices in Tuticorin, Madras, Karachi and Rangoon. They were mainly trading cereals, grams and sesame seeds. Their commission was huge on trading sesame seeds to a gingelly oil crusher- ATB in Viruthunagar, TamilNadu a southern state in India. ATB had faces a major financial crisis and the business were closed down. The brothers were further unable to trade sesame seeds to the trader and they decide to get into forward integration on crushing sesame seeds and manufacturing gingelly oil.

Partition and Growth

In the year 1943 after a family partition, V.V.Vanniaperumal formed a partnership company along with his 3 sons V.V.V.Anandham, V.V.V.Rajendran and V.V.V.Gunaseelan and around 100 employees with a capital of 2 crores and called it as V.V.V. & Sons. For 43 years the company manufactured sesames oil in the brand name ‘Anandham’ in Viruthunagar. The company flourished with the mission of giving quality products to customers. Though all the three sons were into business, V.V.V.Anandham and V.V.V.Rajendran fully involved in the business taking care of Crushing and Purchase respectively. Anandham and Rajendran had four sons each and Gunaseelan had only daughters. The third generation starts to come into business by the year 1978. V.R.Muthu son of Rajendran comes into business taking care of the accounts department and bringing in improvements. Muthu is a B.Com (hon.) from Bombay University and he had taken three years of practice from a Charted Accountant. With that knowledge he brings in new improvements into the business. Muthu being the eldest son working in the development of the accounts section of the company was naturally inclined towards marketing. The company was not into marketing or advertising. Muthu steps into advertising and distribution taking the brand “Anandham” from two districts (Madurai and Ramnad) which is now equal to six districts to the whole of TamilNadu. In 1986 the brand was marketed in the entire state of TamilNadu.

A. The Next Generation

By the year 1986 almost 6 sons who are third generations come into business, there was no right job fit for all the brothers in the company at that period. On 1 December 1986 there is a family conflict between them and was divided. Rajendran and his sons who had the upper hand comes out with a new brand ‘Idhayam’ as a company V.V.V & Sons Edible Oil Limited. After partition there is continuous growth in the brand of “Idhayam” without any failure except for the inflation which is affecting the market as a whole for the past 4 - 5 years. Since the major force of Anandham were the 4 sons of Rajendran who played major roles in the purchase, production, sales and finance department, the family partition makes the leaders to form and take a step of the large and successful brand Idhayam. This was an advantage to promote and expand the brand. So Idhayam takes over the hold of the business along with most of the employees of Anandham and starts its growth then on. The company now has 1000 employees comprising both white color and blue colored people and the capital is 100 Crores. The turnover of the company in 1978 was 5 Crore whereas in 2014 the turnover is 400 Crores. After the partition, V.V.V & Sons Edible Oil Limited gets into diversification choosing Textile industry with a brand name “Rasathe”. The reason of diversifying from Food Industry to textile was that the four business enthusiastic brothers were to be given the right fit and the right job, which was not possible in that period. Only two people were needed to run the business. To set up employment opportunities for the family members the company emerged into textile industry. Textile did not have many disturbances and practical hurdles from the government like the food industry which had rigorous

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**Family Business - Generation structure**

<table>
<thead>
<tr>
<th>First Generation</th>
<th>Second Generation</th>
<th>Third Generation</th>
<th>Fourth Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>V.V.R.ANBHU</td>
<td>V.R.MUTHU</td>
<td>V.R.SATHAM</td>
<td>V.R.THANDRAL</td>
</tr>
<tr>
<td>V.V.Shanmuganadar</td>
<td>V.V.Vanniaperumal</td>
<td>V.V.Ramasamy</td>
<td>V.V.Dhanushkodi</td>
</tr>
<tr>
<td>RAJIV</td>
<td>PREMA</td>
<td>RAJENDRA</td>
<td>ULLAKAN</td>
</tr>
<tr>
<td>VENNISH</td>
<td>MANNIVAN</td>
<td>MAYAVAN</td>
<td>INYYAN</td>
</tr>
</tbody>
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Only Male members of the family who are into business are included in the chart.

![Fig1: Family business generation structure of v.v.v. & sons edible oil limited](chart.png)
punishments for mistakes that are not directly made by the company, but through various other associated factors. Rajendran wanted to place his sons and extent the trend of family business in any field other than food also.

Two brothers took care of V.V.V & Sons Edible Oil Limited and the younger brother manages Rasathe hosieries in Madurai Industrial Estate which now is Rasathe garments. The company has not flourished but it is making progress. In 28 years, the company had introduced the following brands:

- Idhayam – Sesame Oil – 1986
- Sambandhi- Sesame Seeds- 1992
- Delit- Sesame Oil (Premium Brand)- 1996
- Dots – Apaplam-2001
- Sim Sim – Sesame Oil – 2004
- Tahini – Sugar coated Sesame seeds – 2005
- Wealth – Oil pulling – 2005
- Mantra – Groundnut Oil – 2006
- Hardil – Mustard Oil – 2006
- Vanga – Refined Sesame Oil – 2009
- Textile Brand - Rasathe Nightie and Rasathe In skirts.

This achievement was made possible by the unique practices that were followed by the family. The raw materials that were purchased for crushing oil which is the sesame seeds, are purchased from various parts of the country are of best quality. Normally a rate is fixed and the raw materials are purchased. If the quality of the raw material is low then a percentage is reduced from the rate and then paid to the seller. Whereas if the quality is equal or above the standard level, then the industry pays the rate that is fixed already. Idhayam attracts best quality raw materials by way of paying an extra percentage to the seller if the seeds yield more oil when crushed than the standard limit and if the free fatty acid is better. So the sellers of raw material give better and top quality products to receive the best price for their goods. This way the company does not go behind better products but it makes the quality goods to come to them. This gives them no chance for price discrimination.

It is said that the traders of Viruthunagar are famous for their prompt payment in the whole state of TamilNadu. So sellers of raw material do not hesitate to trade with them. Idhayam has a brand image for itself that the producers of sesame seeds all over the country would want to sell their products to Idhayam.

In 1994 after the demise of Rajendran, Muthu takes over as the Chairman of the company. The company still is a partnership firm between brothers. The business which is run by two of the brothers is looked like two separate entities and independent business. The purchase of raw material, Sales of finish product, office administration, Sales and Income tax is taken care by one partner whereas, production, packaging, dispatching, logistics are taken care by the other partner. These departments are viewed as two very distinctive areas and they find success in doing business in this way.

B. Old Wine in New Bottle

The reason for the brand stepping into third generation is because of the quality of the product and the ability to carry forward the value their ancestors had created for the brand. Though the family partition was a turning point, the decision to move on with the brand Idhayam by Rajendran took the company to great heights. The company also faced challenges other than family conflicts. Line extension to other brands, mainly Mantra groundnut oil was introduced to compensate the stagnating growth in sesame oil industry. They started manufacturing groundnut oil to bring in more volume of business through it.

The ability of certain companies moving on to second, third and also fourth generation is possible through the values each family follows. Here the Family owned business is not considered different from that of the family. The members of the family had not been shown any other path that diverters from business. Alternative ideas or choice of moving away from business was not possible, because family and business were not differentiated.

There have been various shifts in the ideas and trends that was followed then and now by the members of the family. During 1978, 1986 and 1996 the members believed that advertisement was more important for the growth and success. Whereas, for the past 15 years there had been a shift from concentration on advertisement to strength of manpower. Improvement and investment on manpower is considered significant by the company in the current trend. The company has branches in Mumbai with 10 employees and 30 employees at the Bangalore branch, but there is no profit generated from these places, the future growth perspective of the brand in these places and the importance of marketing through people are considered as assets to the company. The risk profile of the company has been the same as that of their fore fathers. The risk of convincing the market to accept the high increase in price was a continuous challenge.

IV. Facing the challenges in Family Business management

In any family business there are constant and universal challenges that are faced by the members and the company, which is also met by the manufactures of Idhayam.

A. Employees

When members who are not family members are employed in the company, there are various factors that are not compatible with the family members and the employees. It is considered that the dedication and motivation of the family members is more than that of the employees. At Idhayam, employees are equally dedicated and also considered as members of the family. Family members cannot always manage the company and its activities, the possibilities of difference in opinion and lethargic attitude of some members
are not seen in salaried people. The son has the right to procrastinate or differ from the views of his father, when it comes to employees; the dedication in executing the decision even if they do not agree with the decision is higher. Any company will be desired in employing more efficient and better person, the right fit for the right job in certain positions is still a challenge. Whereas there are excellent staff who are not family members, which is an advantage for the company.

B. Succession Planning

The vital challenge to identify and have an answer for the big question of who’s next, has to be clearly mapped out. When companies cross generations and when there is a need for the family business to be made professional then, succession planning has opened doors for even employees who are not family members to be a part of the top management. In growing business families, mainly in the Southern part of India, which does not shift from family owned business to fully professionalized and corporate style of a business, that which tends to happen more in the Northern part of the country. Succession Planning at V.V.V & Sons Edible Oil Limited is a natural process and it is bound to happen in the family if it is not differentiated from the business. But, it cannot be the decision of the members but the capability of the successor to take up and manage the company. The family has to show and be as an example to the successors that it is a better option to stay with the family owned business that to move away. When there is scope of success in the business then succession planning will not be a major issue in identifying and preparing the successor. The fourth generation is ready to evolve into the business at Idhayam. Rajeev Vignesh, son of Muthu would be taking over the company along with his four cousins. When there is no assured future for the business then the interest of entering into family business fades away in the minds of the younger generation.

Gender based challenges also lays a part in considering Succession Planning, where in South India it is found as a practical difficulty to pass over the business to the female successor. They can be a part of the business as share holders, but to lead the company, there is also a gender based challenge or domination by the male successor of the family.

C. Family Conflict

Family conflicts are unavoidable if there is no unity in the family or the business, since they go together. V.V.V. & Sons Edible Oil Limited in the journey of 80 years, the business has faced conflicts which led to partitions. But the manufactures of Idhayam are stepping into the fourth generation beyond the odds of family conflict. The members of the family have distinct roles and responsibilities so as to manage their business keeping themselves aware of the progress and the work shared by them. Their roles are viewed as independent businesses. When responsibilities are carried out with dedication then there are no possibilities of conflict.

D. Decision Making

The brothers at Idhayam are dealing with their business in a clear track that decision making do not affect the member or the business. The experience of each member that they have received for years growing along with the business since childhood acts as a strong support. At an entry level, the younger generations’ decisions are not accepted by the team until the decision yields a success. When Muthu wanted to bring in advertisement during 1986, the team was not interested to spend money on advertisement. Even though the employees took forward the plan and implemented it, they were not positive about the decision of the new member and owner. When advertisement resulted as a great success for Idhayam, employees were more involved and dedicated. Decision making conflicts might lead to the aftermath of right employees leaving the organizations.

V. The trends that crossed over for Three Generations

A. Experience

The sons who grew up along with the business were able to identify their skills and areas of interest. This understanding of their inclination towards business helped them to grow up with that motive along with the business. The sons and grandsons were able to learn and gain experience from what their forefathers did. It creates a path to gain as much as knowledge and experience to handle the business and also lead it one day.

B. Internationalisation

Accepting globalisation in the field, so as to improve the brand and spread it across the world. Idhayam is a traditional brand which holds cultural value of Tamilians, in the way the oil is use by the people of TamilNadu. Even though their target market is huge they do not want to force oil which is not part of their culture to Europeans whose traditional oil is olive oil. The company aims at the Tamil people living in TamilNadu and all around the world, for which there is a wide scope of business. The younger generation has wide scope and opportunities to capture the target market and also expand in producing oil suitable and saleable at different parts on the country. For e.g. Expansion of groundnut oil in parts of Karnataka and mustard oil in northern part of India is still a target for the generation to come. At present the brand is exported to Tamilians at Canada, USA, England, France, Germany, Switzerland, Dubai, Doha, Abu Dhabi, Singapore, Indonesia, Malaysia, Australia and Russia.

C. Innovation

The family managed to get into innovation to bring in more business; the young generation when combined with the experienced minds would work wonders. The company came out with a concept called oil pulling. It is an old theory where a spoon of oil is put in the mouth in the morning before taking any food or drink. The oil has to be swirled for about 15-20 minutes, then spit out the oil and washing the mouth.
thoroughly with warm water. In olden days it was believed that this process done every morning removes bad breath and improves health. A recent study states that bad teeth will give result to bad heart. So when oil pulling is done it cleans the teeth and thereby also keeps heart healthy. This concept was branded by the company as Wealth in 2005 to bring in business through other uses of sesame oil.

When family conflict occurs, the business or the brand did not forget the family values which ties to the brand for giving quality products. The philosophy of bring in old forgotten values back to the people of TamilNadu, specifically to the Tamilians of the world without mordernising much on the natural content or the quality of the product, gets the business going generation after generation. The nature of the family and its relationship with business has been fed and taught to the offsprings of the Rajendran family.

VI. Conclusion

Based on the challenges and trends the family business is passing through, V.V.V. & Sons Edible Oil Limited has managed all the aspects of business internally and within the family, though the family has a traditional plan for their succession and the way each member would participate in the activities, there should be a clear map of their entry and exit strategy which could help the company in it s expansion. The expansion of the company and the way the company manages the geographical diversification by involving professionals to take care of the branches and managing it from the top. This plan is that which could be carried forward by many family businesses that are facing control problems. So far family partition has been the only reaction to the family conflicts in the long runs of 80 years. These unexpected and unforeseen events have to be faces with preparation to handle the issues and also that which do the affect the business. The state of business acts a s a factor for the next generation children to decide whether to enter into the family business or move away from it. The brand, growth of the brand, recognition, reputation and image of the company acts as factors that motivate family businesses and its members. Family business will prosper when the members find scope of growth even when during a stagnating time. It becomes the life blood of the members to work hard to again lift the business and pass it on to the next generations.

Acknowledgment

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References

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