

Out Performance of Family Business in India: A Case of Bell Brand Rice Mill

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Abstract: *The paper describes the entrepreneurial abilities of an entrepreneur in a traditional entrepreneurial set up where the entrepreneurial legacy of the family is handed over to three generations. Due to the heritage that follows, if the enterprises are handed over as a legacy from one generation to the other generations that follow, then if the heir of the concerned generation does not show any interest in the enterprise development, it is detrimental to the enterprise which may land in deep crises leading to closure of the enterprise. Enterprises are the backbone of the economies. Modern education and technology lure the entrepreneurs of the present generations to financial success diverging their interests to other entrepreneurial activities. The paper discusses these issues and their impact on the economy and the society large. Keywords Family-owned business, entrepreneurship, family legacy, professionalisation, clear succession, value-based business, first generation, sustainable business practices.*

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1.Introduction

The paper describes the entrepreneurial abilities of an entrepreneur in a traditional entrepreneurial set up where the entrepreneurial legacy of the family is carried out. Due to the heritage that follows if the generations that follow do not show interest in the enterprise development, there are possibilities are winding up of the enterprises which is detrimental to society. Enterprises are the backbone of the economies. Modern education and technology lure the entrepreneurs to financial success and divergence to their entrepreneurial activity. These issues have been discussed in the paper and how they impact the economy and the society large.

Family business is the most ancient models of economic organisation, and businesses have of late become very interesting instances with control and ownership of the family remaining embedded in the hands of the family, however the decision making is shaped across the generations. Family-owned businesses contribute to 75 % of the GDP in India, and by 2047 it is likely to increase from 80 to 85 % and is one of the highest percentages in the world.

According to Mackenzy's report, from 2017 to 2022 FOB based organisations reported an increase of 2.3 percent in comparison with the non-FOB based organisation. Interestingly from 2012 to 2022 the returns to the shareholders have been twice high as those of the non-FOB based organisations in India. The top five FOBs are distinguished due to their high sustaining growth.

The only constraints faced by the organisation is with respect to the succession and generational conflicts. But the strength of the family business is customer support and customer loyalty, and a long-term relationship leading to sustainability of the organisation.

Some of the world's largest family businesses are Volks Wagen, Walmart, Samsung, Tatas and in India we have family businesses run by renowned entrepreneurs like the Reliance industries, TATA Motors, Aditya Birla group etc.

they have been main sources for building the GDP of the country but faced serious challenges related to succession.

For a successful family business venture to thrive for sustainability, a clear communication between the family members is an underlying statement; a clear succession plan to transfer to power and ownership to the next in line; professionalisation of management practices, and value-based business functioning constitute the hall mark of a successful business concern.

44% of the fortunes of Forbes 400 richest Americans were derived from the family business. The family entrepreneurship were driven by various psychological drives and so they failed to stand comparison and each family entrepreneurship stands as a model. Ownership stands diffused amongst family members, thus financial issues and issues concerning strategic matters tend to remain captured with a core group who run the business. But it is interesting note that the 21st century global economy is replacing the old economic industrial model, the governments interference and policies turning to family enterprises as a source of economic development and employment and technically a firm is family owner only if the owner is controlling shareholder with 20 percent of voting rights which is the highest percent of voting rights in comparison to other shareholders.

The global family business index was set up in 2015, by centre for family business, University of St. Gallen and EY, and it decided that a family must hold 50 % of voting rights in a privately owned business to qualify as a family business and a family owning 32 % of voting rights is a family business for a publicly listed firm. Post liberalisation the traditional industries have started evolving and the family business is designed into a commercial organisation establishing itself on the sentiments and morals of the family packed with elements of sustainability of the business. Significantly a major portion of the control is in the hands of the members of the family. As a legacy the business is handed over from generation to generation as a result many generations would have played their role in decision making, strategies strategized and development of a business culture. Contextually following is a case where

the business entrepreneur Shri. Chinta Panduranga Reddy garu nurtured the business enterprise 'FROM SREE MURALI MOHANA BOILED & RAW RICE PVT, LTD to BELL BRAND RICE MILL' and handed over to his son Chinta Veera Raghav Reddy who in turn is being nurtured with higher studies Internationally to take up the mantle of the family business.

2.Introduction to the Case

Kakinada is a port city situated on the banks of the Bay of Bengal, in the East Godavari district of the state of Andhra Pradesh. Kakinada port is a small place between Hope Island and Kakinada port, which encircles the Kakinada Bay. Hope island is a natural break water which helps the port in shielding itself from floods, tides and tsunamis. This enriched and nourished ambience and positioning gave birth to a business enterprise nurtured by Shri. Chinta Panduranga Reddy garu and Chinta Veera Raghav Reddy.

2.1 Objectives of the paper

- a) Provide learnings on business perspectives.
- b) Discusses on contours of demands in present market in domestic and export domains over the generations of the family business.
- c) Implementation of sustainable business practices, comprehended and application of future innovations and business opportunities.

The Rice mill was established in 1983 by Mr. Panduranga Reddy. Presently it is being managed by his son Chinta Veera Raghav Reddy. The mill was started on a small scale initially, later Scaled up on 40 acres of land in Kakinada. The industry is equipped with modern machinery and is built and established by Japanese technology and Japanese Companies. There are 16 machines running in the enterprise, utilized for processing the paddy grains. (By the time the paddy grains accomplish a stage where in they can be consumed in the form of rice, it goes through seven stages of iteration in the process of de-husking).

Initially the farmers bring their produce to the rice mill for de-husking, as the cropping is completed. The paddy grains are procured from the farmers at market price during the cropping season. As the paddy grains are acquired company checks for the moisture content in the paddy by using the moisture measuring machine. The moisture content in the paddy grains should be 14 as established scientifically, if it records less than 14 units then the paddy is again laid out for drying for one or two days and the moisture content is again measured and the process is repeated until the rice grain dry up and displays 14 units in the drying machine. It is then that the paddy grains are stored in the barns specially made for storage of paddy.

2.3 Use of technologies in processing paddy

The silos used for storage of paddy grains is not similar to the traditional methods of storage of paddy. The silos used for storage are developed utilizing modern storage techniques. The silos is a long and a tall pillar having a conveyer tray at the bottom of the structure from which the

paddy can be collected for processing. While the paddy that is freshly procured from the farmers is filled into the silos from the top. The silos are made of steel metal and has the size of 30"x 20" high and wide dimension, cylindrical in shape with many minute perforations across the walls allowing the exchange of air into the barns containing paddy grains. The silos are sequentially placed across on the ground and the paddy after its procurement is mechanically filled through an inlet from the top of the barn. The paddy grains are then made to enter the machinery for processing through the conveyer belt running from the barns to the processing machinery. Therefore, application of human hand is totally avoided in the transfer of the paddy grains from the source to the product stage.

The traders wait to receive the demand for the requirement of rice in the market. As the demand is received, they place orders for processing the paddy to the Rice mill. The paddy that is in demand for processing at the rice mill is usually (BT) rice variety. The rice mill, after receiving the demand, starts processing the paddy.

Initially the paddy so procured is processed in the sorter machine which sorts out all the stones, sand and unwanted material from the paddy. Then the physically cleaned and gleaned paddy is processed in the second machine to de-husk the paddy grains. And the paddy grains which are uniform and have a uniform colour are graded and sorted, while the ones which are not uniform are spewed out by the machine into another tray. In the machine the colour recognizing sensors are available in the machine, which rejects all the rice grains that are not white in colour. Once all such coloured rice grains are segregated through the machine, the paddy gains are further moved on to another machine which works like a sieve and sorts out the broken rice. This machine also has the capacity to recognise the broken rice that does not belong to the variety of rice that is being processed. Thus, the rice gains not belonging to that particular quality get separated. Subsequently the paddy reaches its final destiny of its processing involving the removal of the rice from its shaft and polish of the rice grain with small quantities of water. This produces the appropriate rice grain, all polished, white in colour, long and elongated rice grain ready for cooking by the consumer and sought after in the market. Therefore, the entire processing is completed without the touch of the human hand and is totally processed by the machine that have been procured from Thailand and Japan.

2.4 Innovations in the entrepreneurship

The entrepreneur is a second-generation entrepreneur. His father concentrated on developing the rice mill, while he concentrated on developing a range of rice-based products. Following are the details;

i. Parboiling technology

Parboiling the rice is another technology applied by the entrepreneur involving processing of paddy specifically utilized for parboiling. Here the rice is steam boiled for two hours and is dried up and crushed to give smaller flakes which is used in making Idli rawa. This product is used as

a raw material in making 'Idlis' which is a famous breakfast food Savory of south India.

ii. RTE food products developed

The broken rice so collected is coarse rice granules are produced which is used as a base for making Upma, another south Indian breakfast savoury sough after in the whole of the country. Thus, many ready to eat food products are available on the shelf of many of the malls today.

iii. Developing a range of rice products

Apart from the regular BT rice, basmati rice, polished rice, red rice are produced in the rice mill which have medical preferences and culturally for celebrations.

2.5. Recycling by products to make it zero waste

The entrepreneur has imbibed the skills of recycling and reutilizing the byproducts generated in the process of de-husking the paddy in the rice mill. This has been the innovation of the entrepreneur of the second generation.

a. Re-Utilization of coarse paddy

While de-husking, the coarse paddy husk constitutes the first byproduct in paddy processing. This husk is bought by many poultry entrepreneurs and is taken as input/ food for the poultry. This husk is also used while steam boiling the water while parboiling the paddy which is advantageous in saving the fuel and time in boiling the parboiled rice. Applying the traditional technology of parboiling, the rice is boiled for 8-9 hours when its turns into par boiled rice.

b. Power generation

Turbine steam generator is used for generating electricity. Here the paddy husk is used to boil the rice and the steam which is generated while boiling moves the blades in the turbine and a high-powered steam is generated and this helps in the generation of electricity for the entire enterprise. With the generation of high energy steam the parboiling process of the paddy is completed in just two hours of time which otherwise would consume more than 8 hours of time in par boiling the paddy to make par boiled rice.

c. Water purification

Thirdly, apart from generation of energy, with the use of turbine the hard also gets purified, and this water is used in boiling the rice and polishing the rice grains in its final phase of DE husking.

Therefore, the entrepreneur does not have any expenses on the electricity use or the grid power. Energy need of 4 megawatts of power for the paddy DE husking is met in-house by generation of power through the husk turbine.

d. PH value checker for water for par boiling at 9.37-desalination

e. Pollution check

Thirdly the entrepreneur has installed machines to measure the levels of pollution emitted by the machines in the atmosphere in his rice mill as the pollutants like carbon, Carbon monoxide, green gas have a chance to be emitted in to the atmosphere polluting the atmosphere; to maintain the levels of pollution in normalcy the machines are in place to record the amount of pollution and when the concentration of atmospheric pollution becomes intense the alarm rings to notify the rise in the pollution. The environmental pollution checker thus helps in maintaining a net zero gas emission in the enterprise.

f. Production of Rice Bran Oil

From the husk so produced in the process of de-husking, it is collected and is used in producing Rice bran oil which is a produced when the husk is compressed, which is marketed to other traders working in rice bran oil trading.

g. Furnace for generation of electricity

The rice mill consists of a 4-megawatt powerplant which generates power with the rice husk produced. The rice husk is burned at high temperatures in a furnace to rotate the turbine and energy is created.

This art of Recycling of all the products has created a sustainable entrepreneurship in the entrepreneur allowing wastage engineering.

2.6 Global Presence

The entrepreneur has created a space for the display of his products in international markets in countries including African nations- Ghana, Mozambique, Dhaka and South Africa, Nigeria etc, where the BT rice is very popular and the markets are in demand of this variety of rice.

2.7 Marketing

The entrepreneur has franchised his products with many malls by entering into a deal by packing the rice products in the packing material handed over by the malls. Thus, the rice products get marketed through various malls like Walmart, Ratnadeep etc. the rice products are marketed under various brands like Bell rice, Akshaya Jyoti etc created by the entrepreneur. Company has been able to scale up its industry by exporting into emerging markets such as south Africa, Ghana, Dakar, Mozambique and some part of Nigeria.

2.8. Work Force

Over 5000 workers, work in the rice mill to facilitate the paddy processing. The entrepreneur has recruited staff, right from security guards, clerks, marketing officials, chemists to test the PH content in the water and engineers.

3.Family Business

From the study it can be seen that, family business is run by the family members that is the son and is managed by the other members employed to work in the organisation. However, the main tenets of management are indoctrinated by the members of the family into the enterprise.

It can be inferred that Family participation in business usually strengthens the business as the members of the family are loyal to the business. Today many companies which are established as public limited companies were once upon a time family businesses.

Differing interests of the family members put the family businesses into jeopardy which is one of the major weaknesses in family business. Owners are interested in wealth creation while the members of the organisation are interested in strategy and social capital. Here the three circles model come to play to show how there is an overlap on the three roles of ownership, management and the family, in a family business.

In an ownership, family members, investors/employee/owners are present. The owners are concerned with the financial capital, the business development, while in a management circle members are usually the non-family members who are employed for a purpose, The family members may also be the employees, and their importance is to develop the social and emotional capital. Therefore, family members that are closely connected to all these roles are intensely connected to the family business and are involved in value creation as is seen in the case presented. The assets belonging to the family business are hard to be separated and innovations are affected without corroboration by the owner. Interestingly the works working for the organisation are also working for three generations with the family and have perfected in their skill in the rice mill and have remained loyal to the family that has been nurturing them for generations. Not only the employee loyalty that can be seen effective but the customers also have shown allegiance in continuing their relationship with the company for generations. Therefore, family businesses stand out as one of the most lucrative platforms for the success of entrepreneurship if implemented without differing interests.

4.Constraints in Family Business

Differing interests may emerge as possible constraints when the members of the family are not aligned. Two of the four, of the family may be interested in the business. While the other two may promote employee participation in dealing with the affairs of the organisation. Such scenario may also emerge when more than one person owns the business and none of them enjoy each other's support. Secondly the size of the family being commensurate with the size of the business and suitability to lead the organisation, apparently affect the succession of the business.

Managerial aptitude gained in external environment pushes the founder to seek entrepreneurial opportunities outside

the family business while successors look forward to be absorbed in the family business. Since the third-generation member of the family is again a son who has a clear access to the ownership of the enterprise plans to start restaurants and fast-food joints which is a leaf apart in planning for the business and seeking opportunities the family business.

5.Conclusion

By and large educational qualifications interfere with empowerment of managerial capabilities. On the one hand they seem to be strengthening the technological innovations in the enterprises but on the other hand it may help the successor to drift apart seeking new opportunities. Conversely if the succession is planned, there is a gradual transfer of power eventually facilitating the transfer of power and entrepreneurial resources to the successor. Balancing the differing interests of the family members and the business require competencies, character and commitment to work. In addition, appropriate skills in conflict management, finance, legal, accounting skills, insurance, leadership, investments, and strategic planning are crucial personality traits for a family business to flourish.

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