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(On the) Make in India: Family business in the neoliberal era

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Changing Business Landscape in India

Under the 'Make in India'[1] initiative, spearheaded by the current central government, this February witnessed the 'Make in India' week which reportedly brought in 15 lakh crore INR (USD $230 billion approx.) as future investment commitments. One can see fervent activity in other newly introduced schemes such as National Policy for Skill Development and Entrepreneurship (2015) and Startup India (2016), among others. As late as a decade ago, the business operating landscape in India lacked this widespread momentum. During the first decades of post-colonial independent India, the economy grew at a slower pace – often perceived as a result of the state's tight regulations and socialist outlook. From Nehru's mixed economy (1950s-1960s) through successive waves of economic liberalization in the 1980s and 1991 (when following a national economic crisis, the government introduced a pro-competition budget with policies aimed at increasing investment and bolstering business operations), the small scale industry sector has been witnessing a change of environment, outlook and opportunities.

Many of the small businesses that I have come across during the last few months of my fieldwork in Palghar had started during this second wave of relaxed rules and business friendly initiatives. With Palghar's vicinity to Bombay, it is not surprising that several business owners are based in Bombay, some of them with a family history of migration from different parts of the country. That metropolis, which grew from a fishing hamlet to a prominent commercial and administrative hub, housed 18.4 million[2] people in 2011, up from a modest 776 thousand in 1901[3]. Thanks to its role as a major port, it had become the hub of the textile industry in the late nineteenth century. The magnates of Bombay were able to use their position to extend influence onto the burgeoning boundaries of the city. Spurred by the search for more capital, raw resources, cheap labour and accessible land, these entrepreneurs spread far and wide across the subcontinent and with them, the boundaries of the city soon overflowed existing socio-political constructs and extended to even non-adjacent areas. However, not everyone was able to utilize this tide of industrialization and commercial success; segmentation along the lines of region, religion, caste, creed and ethnicity was an important factor in differing fortunes and capitalist success. Due to their engagement in the textile industries in Bombay from its early stage, two communities - Gujarati and Parsi - stood out as paragons of wealth from trade in the region, an achievement still visible today in the economic landscape of the city.

A snapshot on a shop floor.

Partnership Practices in Small Businesses

Hailing from a dominant business community comes with a few advantages while starting a new business; however, at an individual level those who belong to a *family* with a history of business engagements enjoy a greater comparative advantage over their counterparts who lack the same. Among my own respondents too, those who inherited their family businesses were spared a multitude of hardships at the foundation stage. While their entry to the business was a smooth experience, several others who transitioned from jobs to a business had to go through quite different circumstances to establish their ventures. In the latter case, when starting an enterprise, the requisite lack of business acumen, labour or capital is often compensated for by choosing partners who can provide these. Where partners are bound by certain rights and obligations in any business, in case of family businesses, where partners are often also family members, an added set of morality and commitments comes into play. In this blog post I present a short case history of a family and its businesses, and take a look at the matrix of commitments, sentiments and dynamics between multiple actors from this family.

Raj Shah's father was born in Gujarat but came to Mumbai for higher education. After a period of pursuing jobs abroad, the family decided to come back to India as Shah's grandparents in Mumbai needed to be taken care of. After returning to Mumbai, Shah's father decided to venture into the metal industry, as he had already gained knowledge of the same field through work experience. Three partners - Shah's father, Shah's father's cousin and a friend of the cousin collectively started the business. After a period of time, the business started facing problems as the partners were not getting along. The cousin, who was previously an inactive partner, refused to sell his land to the company as he had previously agreed upon. The cousin's friend sold off goods from the company without informing Shah's father. That was the last straw and Shah's father slowly started withdrawing himself from the business, as he did not want to alarm the customers. He did not ask for any money but ceased his involvement in the business within a short time.

During this period Shah had completed his education and was working as an engineer. A friend, who was on the lookout for particular raw materials for his own business, told Shah's father that if he could provide the same, he would buy it from him. This was his reason for selecting this particular product for his business. To produce this, the new factory had to have certain dimensions, yet buying land of that size in Mumbai was too expensive. Palghar on the other hand had cheaper land available. Benefits such as tax exemptions for a period of five years and reduced rates prompted the establishment of the business in Palghar. Shah, his father and his cousin started the business together. The capital to start business was mostly pooled from Shah and his father's savings. In Shah's recollection, his cousin did not have much to contribute, but he was still included in the business as he was 'like a son' to Shah's father. They did not take loans from anyone as 'this was a very new venture' for them and they did not know if they were going to succeed. In fact, Shah still continued with his job as an engineer in another company. When he said he will take care of the family, his cousin assured that he will take care of the business. In the initial years of the factory, Shah's father used to come to the factory daily for a few hours and Shah's cousin would live in a small room, on the top floor of the factory and take care of the production - day and night. The factory's operations continued in this fashion and Shah would come to the factory normally on weekends[4], when the cousin would take the days off and go to Mumbai.

Shah explained that one day he found out that his cousin had committed mischief. He had diverted some of the raw materials (used in Shah's business) to another person. Shah immediately reported this to his father and further figured out that the cousin had done this for the third time. Shah's father, as he portrays him, being an honest man by nature, went to the trader (who had paid for the raw materials), confessed what happened and told him to stop supplying any more material. The trader, on the other hand, told him that this sort of thing was common in business and he would now know what to be careful about.

In the informant's own words, 'the cousin developed bad habits and he wanted fast money, the way we were running the business has no scope for fast money'.The management of the company was now divided into two parties, Shah and his father versus his cousin. They called the cousin and proposed a separation. Although the initial monetary contribution was not the same, Shah's father treated each of them as equal partners. Shah's father did not want Shah's cousin to feel cheated under any circumstances. He told him to go and find out the real price of the business from an outsider who deals in the same field, and then either take one third of the price and move out or pay two thirds to buy them out. The bottom line was that they would no longer would work together. The cousin on the other hand was already feeling bad about the situation, so he declined to name a price out of reverence for Shah's father, who was a father figure for the cousin as well. He decided to move out of the business and prompted Shah's father to pay him whatever he felt was just. In the end, they collectively talked to someone experienced in the business and decided upon the current value of the business. After they rechecked the figures with the trader they had been dealing with for a long time, the cousin was paid one third the amount, and he moved out and away afterwards. I was told that the cousin had plans to open up a business in the same field in some other place - but that is where the discourse on the topic ended. Currently, Shah and his father run the business, and travel to Palghar on a regular basis. He has been manufacturing the same product and does not have plan for any further extension of the business.

Shah's case provides a conspicuous example of emotions and sentiments that emerge in the foreground when family and business get interwoven. Partnership choices which emerge from factors such as necessity, obligations, tax saving strategies impact the continuity of the firm in different ways. There prevails a general attitude that perceives partnership as a threat to the sustainability of the firm, unless the partners are from one's own family. The concept of own is often fluid and family is conceptualized in two forms – immediate family (family members sharing the same household: conjugal or joint family) and relatives (other consanguinal and affinal family members) – where different values involving different expectations are attributed to each of these two. Where one's own family is considered as a preferable choice as a partner in a business, relatives are often perceived as sources of conflict, lacking the sentiments that one's immediate family holds. Consequently they are seen as something that paralyzes the owner's effective decision making ability - thereby hindering the autonomy of the owner in the management of his firm. This limiting nature - emerging from obligations that comes with involving relatives - is often cited by my informants for not involving relatives in their own businesses. In Shah's case the cousin was 'like a son' to his father. Indeed, after coming back to Mumbai, Shah's parents took in his cousin at the ripe age of two, after the death of his father. Both Shah and his cousin grew up in the same household. Thus, when the time came for the family to launch a business venture of its own, he was naturally involved in the business, because he was viewed as an immediate family member, notwithstanding the meagre amount he was able to contribute to the business. In another case which I came across, where the cousin was involved as a partner, I confronted a similar reasoning, where it was said that the cousin grew up with them and *thus* was involved in the business. Approaching these cases within the Weberian framework of value spheres might reveal more. If the decision to involve the cousin in the family business stems from the value sphere of kinship, and the later estrangement of the same is a consequence of the value sphere of trust, exploring these contesting spheres and their dynamics can uncover the finer points of their relative importance to the entrepreneurs. I am interested to further analyze the boundary between these two and the extent to which this boundary is negotiable, along with identifying other value spheres that might be at play. I envision that this, in turn, will help me understand how my actors conceptualize the 'family' in a family business.

What we see in many of the firms in Palghar in regard to partnership practices, however, is not much different in what Yanagisako[5] noticed in her study among family firms in Italy. She observed an equivalent pattern in the family sentiments at play in a family owned business - particularly the contrast between the initial startup period as compared to later stages when the firm has scope for growth and expansion. At the initial stage the firm exhibits a shared pool of capital and labour - in a manner that is quite flexible and not fully formalized. This, as exemplified in both the initial capital shared between the three actors in my case study, as well as the juxtaposed nature of their time at the factory site is a familiar model of collectivity which one comes across in similar narratives of family businesses. Interestingly, Yanagisako's study also reveals a different set of sentiments - that of mistrust - which come to the forefront once the initial period of struggle has been overcome and actors who were previously championed for collective action start to seek economic independence from the joint venture. I came across such mistrust in a later stage of the business, accompanied by the portrayal of former partners in a different light.

Shah's cousin provided the factory with flexible labour, while Shah kept his job in another company as an engineer since it was a stable source of income for the family, and the business wasn't fully developed then. Although the three were equal partners, the narrative points out that the decision-making power was held by Shah's father, where patriarchal control still prevails. Where the cousin often insisted them to work with other customers than the one who they were currently dealing with, Shah's father did not entertain his proposal. The crux when the cousin brought distrust into the business, seems to be the primary motivation to separate themselves from the cousin. Indeed, viewing the offer presented to the cousin which would allow him to buy out Shah and his father while keeping the business running suggests an important point. The ownership of the business, that they collectively built up, was no longer mandatory. On the contrary, what became crucial was to end the partnership. What do partnership histories such as this say about moral values intertwined in business? Looking at the process of taking the decision to both forge and break a partnership, I aim to understand the values individual actors highlight to justify the decision. Do the same kinship values which was stressed while involving him play an equally decisive role during the estrangement?

Looking into questions of similar detail can uncover the complexity of such processes and give this researcher a headway into analyzing values, morality and ethics among family businesses in India.

*All names have been changed for protection of personal data.

Notes

[1] Since late 2014, the government has launched a holistic campaign, spanning several forms of media, promoting India's manufacturing prowess and attracting several foreign parties to what the official website touts as the fastest growing economy in the world.

[2] 20.7 million for Mumbai metropolitan region (Census 2011).

[3] Chandavarkar, R. (2002). *The Origins of Industrial Capitalism in India: Business strategies and the working classes in Bombay, 1900-1940* (Vol. 51), Cambridge University Press.

[4] In Palghar factories run six days a week and remain closed on Friday.

[5] Yanagisako, S. J. (2002). *Producing Culture and Capital: Family firms in Italy*. Princeton University Press.