Birla group of companies is one of the biggest industrial houses in India. There has been a sharp increase in the assets of Birla group since 1983. The total assets of this group increased from Rs.2831 crores in 1983 to Rs.4607 crores in 1986, thus registering a growth of 62.7 per cent. Birla's was the biggest industrial house in India in 1986 in terms of total assets. But it had climbed down to its usual second position with assets estimated at Rs.4771 crores in March 1987. Tatas being the top business house in India. The total number of companies falling under this group was estimated to be 175. No fewer than 30 of group's companies were listed among the top 250 corporations in India's private sector. The Birla industrial empire encompassed manufacture of a vast spectrum of capital and consumer goods. Aluminium, textiles, chemicals, automobiles, jute, cement, tea, textile machinery, light engineering and a host of other products are manufactured by the companies of the group.

The group has been broadly divided into six sub-groups, each under the control of a member of the
extended family, and is not connected with other group through any other nexus. The sub-groups again consist of smaller groups, each looked after by trusted subordinates, sometimes designated as presidents, but who are not necessarily the members of the concerned boards. Though there was a split among Birla brothers in 1937 over the issue of G.D. Birla's financial support to Mahatma Gandhi and freedom movement, yet the whole operation was conducted in such a cordial atmosphere that even today no one knows which brother managed which company.

VIII.1. **Business Organisation Based on Extended Family System**

The six groups within the Birla group, and prominent companies in respective group are:


ii) Gangaprasad Chandrakant Birla Group: It includes Hindustan Motors, Hyderabad Asbestos Cement and Orient Paper and Industries.

iv) K.K. Birla Group: It includes Central India Machinery Manufacturing, Hindustan Times, Texmaco, Zauri Agro Chemicals, and Upper Ganges Sugar Mills.


vi) L.N. Sudarshan Birla and Siddharta Birla Group: It includes Shree Digvijay Woollen Mills, Jiyajeerao Cotton Mills, Indian Plastics and Mysore Cement.

Apart from the apparent strong family tradition, the Birla empire is held together by the cross-holding of shares by various companies in the group. The cross-holding structure is very complex and beyond the comprehension of an outsider.

A long time associate of G.D. Birla, Durga Prasad Mandelia says, "One reason for cross-holding structure is the fact that companies floating new ventures often had to turn to sister companies to raise the necessary finances."
VIII.2. Growth of Birlas

Shiv Narain Birla was the first among Birlas to migrate from his home village Pilani in Rajasthan to Bombay in 1860. He made a big success in cotton trade there during the American Civil War. He was later joined by his son Baldeodass in business. After the plague of 1897 in Bombay, Birlas shifted to Calcutta. In Calcutta, while working with Tarachand Ghanshyamdass (a leading Marwari trading firm of Calcutta) as brokers, Birlas got the opportunity to gain knowledge of opium and jute markets. Soon the Birlas left Tarachand Ghanshyamdass to start their own business. It was in the opium trade that Birlas first made their fortunes. In the beginning of 20th century, four sons of Baldeodass namely Jagal Kishore (JK), Rameshwardas (RD), Ghanshyamdass (GD) and Brij Mohan (BM) also came to Calcutta to join family business.

From opium trade Birlas ventured into hessains market. The World War I created a boom in gunny sacks market, which was encashed fully by Birlas, especially by G.D.Birla. The total worth of Birlas increased from Rs.20 lakhs to Rs.80 lakhs during the War period. With the capital accumulation, they began to shed their speculative character, and between 1916 and 1922 switched from trade to industry. Birlas made their debut in
industrial management by taking over a sick cotton mill in Delhi in 1916. But the real thrust began in 1919 with the establishment of Birla Jute in Calcutta and Jiyajeerao Cotton in 1921 in Gwalior. In 1918 the Birlas, for the first time, established a private limited company in the name of Birla Brothers, which later became the most well-known managing agency in colonial India.

In Jute industry, Birlas had to face a lot of opposition from the Scottish monopoly. But the strong determination and consistency shown by G.D. in facing the obstacles ultimately brought success. Between 1931-33 Birlas entered into sugar industry in a big way, they set up Bharat Sugar, New Swadeshi Sugar, Upper Ganges Sugar and New India Sugar.

Another stimulus for growth was provided by the World War II. The worth of Birlas increased from Rs.4 crores at the beginning of the War to Rs.25 crores by the end of the War. The growth of Birlas was particularly faster after independence. Out of the 175 Birla companies probably 20 belonged to pre-independence period.
VIII.2.1. Growth Strategies of Birlas

Apart from cotton and sugar, Birlas diversified into manufacturing of a wide range of products such as textile machinery, automobiles, bicycles, ball bearings, fans, non-ferrous metals, rayon, plastics, plywood and vegetable oil. Later, with entry into coal, tea, aviation and newspaper, Birlas practically left on industrial activity untouched.

Apart from setting up new ventures, Birlas also indulged in takeovers in a big way. The prominent takeovers were: Century Spinning and Weaving Mill in Bombay, Sirpur Paper, Hyderabad Asbestos, Bally Jute, Sirsilk, Digvijay Cotton, and Rameshvara Jute. However, Birlas have generally preferred setting up new ventures rather than takeovers. B.K. Birla (son of GD) who heads the biggest Birla sub group says, "My father's philosophy which I widely follow, says that one should not grow by taking over companies but by using one's brains to set up one's own."²

During 1950s and 1960s, the Birla group continued to grow, despite the "socialistic" utterances of Congress government under the leadership of Jawaharlal Nehru. In 1970s, there was tightening of control on big business to check economic concentration, but the Birlas never stopped growing. During 1970s
Birlas invested heavily in cement to become the largest producers of cement after Associated Cement. The investment in cement ventures at that time was not a promising proposition, but the adventure paid back heavily after partial decontrol of cement prices in February 1982. With recent decontrol of cement completely, the Birla investments in cement are going to be further profitable.

The trend of liberalisation in 1980s opened up new opportunities for business. Birlas were quick to apply for licenses to manufacture items as diverse as oil rigs, plastic sheets, sponge iron, fluorine, tires for their new model of passenger cars and additional capacity for cement. Some of the Birlas clan members also acquired NRI status to avail of NRI schemes.

The B.K. and Aditya Birla group is the biggest of Birla sub-groups as they inherited bulk of Birla empire. The flag ship of BK concerns is Century Spinning, often referred to as barometer of Bombay Stock Exchange. This is one of the oldest companies in the group and is also one of the most up-to-date because of its continuous modernisation and diversification. The Company registered a record turnover of Rs.521.26 crores in 1988, nearly Rs.100 crores more than the
figure of previous year, and the gross profit of Rs.64.39 crores is up nearly by 57 per cent as compared to the previous year. But B.K. Birla, it seems is still looking for better performance as he says, "Under the given circumstances we have done rather well, but there is scope for improvement, some of the divisions are still not doing as well as would want to do." The paid up capital of the Company in the last five years went up from Rs.15.96 crores to Rs.26.6 crores on account of bonus issue, its gross block swelled from Rs.189 crores to well over Rs.500 crores. A Bombay-based investment consultant, Ram K. Piparaiya points out, "The Company has succeeded beyond people's expectations. In spite of his conservative ways, B.K. Birla risked taking Century into areas like Shipping and Paper and he made a success out of them. Sales, profits and reserves have both more than doubled in the last five years."

Having performed well in all the existing divisions, the Company now plans to go ahead with one of its most ambitious diversifications so far. It is awaiting government's approval for their three large projects - a 3,00,000 tpa sponge iron plant in Madhya Pradesh (cost: Rs.200 crores); a 500 MW thermal power
plant in Rajasthan (cost: Rs. 600 crores); and
a Rs. 350 crores petrochemicals project to manufacture
synthetic elastomers, MTBE (methyl tertiary butylether)
and propylene at Alibeg near Bombay.  

VIII.2.2. Finances for Growth

A large part of funds for new ventures has
been coming from internal sources. This was because
Birlas have preferred to retain complete control over
their corporations. Though Birlas have made a number
of public issues also, but they have avoided an important
source of industrial finance, i.e. the public financial
institutions. The debt capital has been kept at a low
level, for example, Century has a debt-equity ratio of
0.95:1.

VIII.3. Management Culture of Birlas

Birlas belong to Marwari trading community
which migrated to other parts of India during 19th
century. The management style of Birlas has been
strongly influenced by the social and cultural values
of their community. The member of Marwari community
had inherited various customs and institutions which
enabled them to trade more easily. An understanding
of these social values and customs is essential to
have an idea about the management culture of Birlas.
VIII.3.1. Joint Family System

The wives and children were left at home, so that males could travel for business, the joint-family home provided shelter for family dependents. Marwaris have an inheritance law that favours the maintenance of joint family property. A. Cohen points out that joint family served as a useful institution for mobilising scarce factors, such as capital. These families have developed novel techniques for dividing authority and cushioning conflict.\(^5\)

VIII.3.2. Community support system

The Marwari community have a very strong sense of belongingness to the community. The wandering traders found wherever they went, support and housing provided to them by their communal fellows. The migrant Marwaris first settled in \textit{basa} collective messes run by great firms, or on a co-operative basis in the major towns. Sometimes, the \textit{basa} were run as philanthropies and provided free boarding to newcomers.\(^6\) When Shiv Narain Birla migrated to Bombay, he first settled in a \textit{basa} run on a co-operative basis by immigrants from his home village Pilani.
Under the communal customs there was an institution of apprenticeship, which provided an opportunity for youngsters to learn the techniques of business. Under the profit sharing schemes they could accumulate enough capital to start their own enterprise.

There was a communal credit network under which the firms borrowed from each other whenever short of cash, loans were payable on demand and interests were tallied and settled once a year, with total borrowing offset by total lending.

VIII.3.3. Resource Group

The organisation of credit-produced network of contacts all over the country which could be used for selling and purchasing of goods. The big Marwari firms were rich in capital. They operated on their own capital and provided accommodation to large number of smaller firms. Though the smaller firms belonged to all trades and communities, the familiarity born out of a common homeland made big firms key members of the resource group upon which smaller migrant Marwari firms depended.
The 'resource group' gave Marwari merchants superiority in commercial intelligence. While Bengali firms in jute industry faced difficulty in finding reliable people to whom to entrust their jute agencies, the Marwari 'resource group' provided the network, which was crucial for success.8

VIII.3.4. Community-based employment

Marwaris had a strong preference for their fellow community members as employees. In addition to their pay, employees received valuable perquisites culminating in a share in forms ownership. The clerks in Tarachand Ghanshyamdass were regularly rotated from branch to branch and promoted until they finally took over one of the firm's major offices.

In accordance with Marwari tradition, Birlas have a network of firms which can only be seen as satellite empires - the old firm G.D. Kothari, Kai Khaitans, Mohtas, Saboos, Mandelias, Murarkas, Hadas, and Kejriwals. Some of them are former Birla executives, while others are business or political associates.

The unique Management Culture of Birlas is characterised by a typical system of recruitment known
as 'referral system'. The system implies, a method of recruiting management talent based on family background and shared cultural values. Thus a Marwari, especially one hailing from within a small radius around Pilani, stands a better chance of obtaining a post in Birla-run Company than a non-Marwari. And the children of Birla executives have an automatic option to join the group. Justifying the referral system Aditya Birla says, "It is true however, that the largest number is of Marwaris. It is natural that there is an affinity and I will never feel embarrassed or compromised if there were more Marwaris, is there any group which does not have more people of its own community percentage-wise."^9

Though references play an important role but merit is not at discount in Birla organisations. Promotions in Birla-house are strictly on merit. After entry into the organisation, a recruit undergoes rigorous practical training. Only those who attain a particular inflexible standard will climb the ladder. The loyalty to the Company and complete financial integrity are the main criteria for promotion. For the first few years after recruitment the person is kept at a lower position and his loyalty is put to test.
Only after proving his loyalty to the organisation beyond doubt, can an employee hope to rise in the organisational hierarchy.

In recent years, however, there has been some change in the recruitment procedure. The 'referral system' has been declining in importance and Birlas have turned to advertising for recruitment. The reason is that, there are less and less Marwaris who are inclined to join service.

Once an employee's loyalty and efficiency are accepted, he becomes a member of the family. No one is allowed to retire. Senior Birla employees retire only on two counts - either being charged with misappropriation or for following a loose life style. This approach keeps the executives' valuable experience within the family. A number of senior management personnel have devoted their entire life with Birla companies. Ram Nath Poddar, Senior President of textile division of Century Spinning, is 75 and has worked with Birlas for 52 years. His deputy, P.D. Lakhota, 60 has been with the group for 42 years. S.P. Mandelia senior president Rayon division of Century, 59 has been serving the Birlas for 42 years and P.M. Jhaveri, executive president, 61 has been with the Company for 36 years.
Birlas believe that certain inducement had to be continually offered to employees to ensure higher performance. They are thus given a choice of money or fame or a combination of both. The families of senior executives are well cared for.

VIII.3.5. Impact of Changing Environment

In accordance with Marwari tradition of adjusting to the changing conditions, Birlas have been successfully adapting to changing environment, both before and after Independence. Birlas had to face the hostility of British Government due to G.D. Birla's relations with Mahatma Gandhi and financial support to freedom movement. After Independence also the relation between Birlas and Government of India became increasingly tense. The deterioration was partly due to Nehru's socialistic inclination and open castigation of business. Both G.D. Birla and his brother B.M. Birla stressed at 27th annual meeting of FICCI in 1954 that "a businessman is not a businessman unless he can adjust himself to changing conditions."12

Many Birla Companies are known for the quality of their products. The Century Spinning Mills success in exports has much to do with the quality of the product. Sushil Sain a former managing director of National Textile Corporation (NTC) and now a reputed textile consultant says, "Century succeeded in exports
because of Poddar's (senior president of textile division) obsession with quality. Other exporters failed because they considered a larger order as one-time deal." The quality is ensured at every stage. For Poddar quality control starts at the cotton buying stage itself. The better varieties of cotton grown in the country are identified and Century buys only a few, the best ones. Further Poddar has helped to set up modern ginning units that are dedicated to Century and where quality is constantly monitored. At the mill itself, quality has been ensured by rapid modernisation, says, B.K. Birla, "Our faith in the benefits of modernisation is complete. In the last few years alone we have invested Rs.38 crores in putting up new machinery at the mill. This year (1989) we will invest Rs.11 crores."
REFERENCES


3. Ibid.

4. Ibid.


6. Ibid., p.5.

7. Ibid., p.145.

8. Ibid., pp.38, 61.


10. Ibid., p.81.


