

# DILEMNA OF A FAMILY OWNED BUSINESS: A RESEARCH STUDY ON R.R TOOLS PVT. LTD.

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## INTRODUCTION

It was evening of the last day of December 2012 and the Mittal family had organized a lavish New Year party at their farmhouse at Ludhiana. It has been the family's tradition as the head of the family Som Nath Mittal encouraged unity and oneness in the family. Carrying forward the tradition the entire Mittal family except Dipul Mittal could be seen celebrating the event. Dipul was standing outside the party hall as a silent spectator amidst all the celebration galore. The chilly breeze was cutting through his cheeks, watery eyes, but there was no sensation of this cold weather as he was engrossed in his own thoughts. He was trying to contemplate if this camaraderie could be seen in a party then why his father Rajesh Mittal was so very against the idea of collaborating with his own brother Girish Mittal for the growth of their own enterprise R.R Tools Pvt Ltd.

Dipul Mittal was the Chief Executive Officer of R.R Tools Pvt Ltd. He was the only son of Rajesh Mittal, the Managing Director of RR Tools Pvt Ltd. He was an engineer and a management graduate from a premier institute in United States. He wanted to apply his management learning to diversify and expand his father's business. Though he was firmly rooted in traditional Indian values, but was also the quintessential modern man – the man of the new millennium. He had a passion for modern new technology. He didn't just want to be better in India but also in the world. In the machine tools industry RR had been managing work in cutting tools using the conventional machines. He was aware that the

conventional machines would get obsolete in the years to come. Switching over to CNC (Computer Numerically Controlled) machines would be the preferable way in this industry now. To compete in this new era, meeting consumption requirements and maintaining productivity were pivotal. His vision was to become global distributors of High Speed Steel (HSS) cutting tools.

## COMPANY BACKGROUND

Rajesh Mittal established R.R Engineers in the year 1999 in Ludhiana, India. The company records a turnover of Rs. 1,000 cr. plus a year. R.R Tools Pvt Ltd. operated in the machine tools industry in India. The Indian machine tools industry manufactures complete range of metal cutting and metal forming tools. The company dealt in various cutting tools like drill bits, reamers, thread taps, end mills, slotting saws etc. commonly used metal cutting machines include electrical discharge machining systems (EDMS), machining centers, lathes and automats, boring, milling, drilling, grinding, honing and polishing machines.

In 1900, the introduction of High Speed Steel (HSS) permitted the operation of tools at twice or 3 times the speeds allowable with carbon steel, thus doubling or trebling the capacities of the world's machine shops. The company commenced with a vision to become a world-class manufacturer, with operations in India. It had grown over the last couple of years both by investing in HSS manufacturing and Carbide tool products. As a

matter of fact, the growth rate of consumption is highest among the top20 countries (49%).

R.R Tools Pvt. Ltd. was a prominent name in supplying a wide range of cutting tools across the country. It had the potential to tap major industrial sectors like Mumbai and Pune in Maharashtra, Jalandhar and Ludhiana in Punjab, Ahmedabad, Baroda, Jamnagar and Rajkot in Gujarat, Coimbatore and Chennai in Tamil Nadu, Bangalore and Mysore in Karnataka, Kolkata in West Bengal, Delhi, Faridabad, Hyderabad and some parts of eastern India.

Automobile industry, bicycle industry, tractor industry, defence, railways, space & atomic energy are amongst the most popular consumers of R.R. Tools Pvt. Ltd. With a meager employee strength of 20 R.R had been managing manufacturing, operations & distribution effectively. These were distributed over five management ranks. Sarabjeet Singh Thakur being the most experienced and one of the founder members of the company, he had been designated as the Director – Operations. A foreman/ master are the persons who act as a linking pin between the management and the four divisions namely Lathe, Milling, Tool & Cutter and Grinding. The division heads manage their respective teams of 3 unskilled wage earners each. The Quality head coordinates with all four-division heads to keep an eye on the functioning & adequacy of divisions. 2 salesmen and a purchase officer manage external operations for R.R. Tools Pvt. Ltd.

## THE FAMILY CONTEXT

Som Nath Mittal belonged to a family of four siblings. Due to his father's untimely demise, he plunged into the world of business at an early age of 18 years and had to leave his higher studies. Although he was the youngest among the four children, the mantle of responsibility fell on him. His elder brother migrated overseas and so too had his two sisters. All thoughts of higher education at a premier institute were relegated to the background as he was swept into the hurly-burly of the family's

machine tools business- Des Raj Engineering Works, DREW.

With sheer dedication and business astuteness of Som Nath Mittal, the Managing Director of DREW, and the company grew as a popular name in the machine tool industry. DREW in a period of 20 years earned a reputation for providing high quality cutting tools all over India. Though, the business was doing well Som Nath's eyes still harboured the dream of higher education. So, he gave the best possible education to his sons- Rajesh and Girish. They both did majors in engineering from a prestigious institute in India. Post their education they both decided to join their family business.

The trio steering towards newer heights was giving shivers down the spine to many existing players in the machine tools industry. However, the cost of this success of business had been weakening the real bonds of blood. The two brothers were of diametrically opposite viewpoints when it came to handling of business issues. Rajesh was concerned with building the long-term image and sustainable business development for DREW whereas Girish was interested in short-term profits for the company.

A significant event came to light when the credibility of DREW was questioned in the market. Rajesh endeavoured to enquire through various sources to get an insight into the reasons, which led to the questioning of DREW's integrity. He was taken aback when he identified that Girish had quoted different prices for the company's product to different customers.

There were rumours floating about the product pricing, which as per the marketers has been fluctuating over a period of time due to the different quotations cited by Rajesh and Girish. Girish should have apprised about taking such drastic decisions and also thought about implications before getting involved in anything which hampers the growth of DREW. Rajesh could not in anyway justify but to conclude this to be a breach of trust for himself as well as his father. No matter this event remained hidden somewhere inside Rajesh but

certainly it paved two different routes for the brothers regarding managing business. He could not in any way accept such playfulness for DREW.

Rajesh buried the incident in his heart but still Som Nath with his rich experience could gauge the discomfort between the two brothers. It had become a routine practice for Som Nath to settle issues between them over trivial matters. Most of his time and effort went in synchronizing their business sense. He started sensing bigger conflicts and was afraid of ruining the family happiness over business issues. Also, he could understand that it was time for him to handover the formal authority & designation of Managing Director to either of the two. Before the situation worsened and the business differences swept into the family, the competitors start taking undue advantage of the situation, DREW ruins its reputation; Som Nath considered it best to formally distribute the shares among Rajesh and Girish.

## EDUCATION VS EXPERIENCE

It was a rather unusual day at Rajesh Mittal's residence as business dealings swept their way at the dining table. The atmosphere was heated by the *discussions* of Rajesh and Dipul Mittal over the internationalisation of R.R Tools Pvt Ltd.

*Dipul:* Dad I think we have had enough discussions already on how important it is for us to emphasize on working out a feasible way to grow internationally. It is truly wasting my education by simply adhering to the conventional technology. Today the world is at the feet of top most technology. I strongly feel that there's no harm if we collaborate with Girish uncle; this is certainly going to help our business get the requisite boost and we can capture markets all over the globe. It is derogatory for years of sheer hard work not to update and just remain 13 years behind time.

*Rajesh:* How can you simply overlook the sweat and blood that has gone into the making and growing of

R.R over these 13 years. They just aren't worth your ignorance. We have been able to gain abundant fame in domestic arena. Our distributors are leading and are counted amongst the top-notch names in the machine tools industry.

*Dipul:* I duly recognize your efforts and the company certainly has seen growth. The success has been worth all the praise just because of your dedication and determination. This all the more justifies that when we have such potential, it's the need of hour to do something that the world today is spreading its arms towards. The acceptable industry standard in the international market is CNC machine tools and not the conventional tools that we are using. You know it quiet well that to spread out globally, we will have to switch from conventional machine tools to CNC machine tools. It isn't possible to switch without raising our output to 10 lakh units that is almost impossible for us to do alone. We produce 6 lakhs and Girish uncle 5 lakhs. I once just floated this idea to him; he was more than happy in accepting this business proposition. At the same time, this proposition also reinforces the staunch family bonding that Grandfather always has practiced and preached among the younger generations. The best possible growth prospect according to Dipul was collaboration of these two business entities and creating a niche for themselves in the machine tools industry globally.

*Rajesh:* Dipul, I understand that CNC segment is a dire need to foster growth. I am also aware that it will help us to provide further value additions to meet specific requirements of users and lower costs. However, I want you to understand that even I want to internationalize but the way you plan to internationalize is not acceptable to me. Why don't you understand that we can achieve the standard of 10-lakh unit production, in duration of 3 to 5 years if we concentrate on the domestic market? Once we achieve that, I would be the first person to spread wings in international markets. Take my final words that no matter what, we would not involve Girish in our business.

Dad you also seem interested in the idea of internationalizing our products just like me then why we should wait for another 5 years. Do you want the competitors to take the lead first? Well Dad, it may be easy for you to announce your final verdict but I am still perplexed why we can not go ahead with the deal when the resources are available within the family itself. Don't you think we are losing on the business sense?

*Rajesh:* It is of no use to talk to you. You are so adamant and I really don't think it is worthwhile any more having further conversations on the matter with you.

Rajesh walked away and went straight to the garden. He had a sudden flashback of all the sour memories associated with Girish when they were together in DREW. He just could not think it was worth the risk that was involved in working with such a person who can stab at the back of his father and elder brother. He experienced a feeling of sheer helplessness because he could not explicitly share the reasons for being adamant not involving Girish in the project. He did not want to bring the bitterness of business in familial matters. He thought his and his father's whole life has gone to maintain harmony in Mittal Family, how could he just share the old incidents with the new generation and give way to conflicts or animosity amongst Dipul and Girish and his sons.

Dipul after the heated conversation went direct to his study room on the first floor and sat on the couch. He started his laptop and began to review the pros and cons of internationalizing the products of RR Tools and Pvt Ltd. He was totally clueless on the matter and considered it best to develop a plan, which might convince Rajesh Mittal.

The research is based on a family owned business named RR Tools Pvt. Ltd. owned by a second-generation entrepreneur Rajesh Mittal. The company was a part of machine tools industry in India. With sheer hard work and dedication Rajesh expanded the business all over the country. Dipul Mittal, the only son of Rajesh joined the business after thirteen years of incorporation of the business. He was a management graduate from a premier institute who joined his father's business with the sole aim to globalize the business.

For internationalization Dipul Mittal wanted to collaborate with his real Uncle Girish Mittal's owned business. However, Dipul's father and Uncle two decades ago had experienced serious business related clashes. Due to which they were given equal shares of their father's business and they operated as two different entities. The research is poised at a juncture where Rajesh and Dipul Mittal both are facing the dilemma of whether to go or not for internationalization of the business. The research will give students an insight into the various advantages and disadvantages of internationalizing a family owned business.

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