

Headline: Enterprise, ethics: the two pillars of an empire

Description: The history of the 119-year young Group mirrors India's independence movement, in many ways

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In 1989, when the vestiges of the licence raj era still wove reams of red tape around Indian businesses, a management trainee at Godrej GE Appliances' Faridabad office faced a dilemma. An excise tax collector wanted a Diwali "gift" delivered at his residence. "Or else..."

After discussions with his seniors, the trainee turned up at the official's house the next day with a gift-wrapped box. At the visitor's insistence, the official unwrapped it, to find a pack of Godrej soaps in various fragrances. The unspoken but clear message: "The Godrej group is committed to ethical business. Don't expect anything else from us."

The anecdote, narrated by Ranganatha Thota, the management trainee at that time, sums up an idea that Gurcharan Das, former CEO of Procter & Gamble India, has articulated: while India secured political independence in 1947, it got economic independence only with the 1991 reforms.

In many ways, the business history of the Godrej Group, which dates back to 1897, mirrors the Independence movement. The group's founder Ardeshir Godrej, as the Godrej Rhyme (*at right*) narrates and as BK Karanjia chronicles in his two-volume book *Godrej: A hundred years 1897-1997*, left India for Africa in 1889 to practise law. But unwilling to commit perjury to advance his career, he returned home, where the freedom movement was gathering pace, with the birth of the Indian National Congress in 1885.

Swadeshi advocate

Upon returning to India, Ardeshir became an early proponent of the swadeshi idea of economic self-reliance. An early venture to manufacture medical equipment failed owing to British protectionism, but the indefatigable entrepreneur cast his eye on lowly locks. The lock business was in the control of British and American manufacturers, but Ardeshir found a flaw in their products: their springs, used to work the levers, often gave way. Borrowing money to set up a shed in Lalbaug in Mumbai in 1897, he began making Anchor locks, which didn't have springs. They were well-received in the market.

From that, he went on to manufacture safes, again exposing a chink in the foreign-made safes, which rendered them unreliable. He patented the door frame, double-plate doors, and lock-case, and sold his safes at half the price of foreign brands. So successful was this business that even the Queen, while on a tour of India in 1912, availed of the services of a Godrej safe.

Ardeshir, who had a Renaissance spirit that was always looking for new realms to conquer, then began manufacturing soap with vegetable oil, out of consideration for Hindu sentiments that disfavoured the use of animal fat. His soaps soon secured celebrity endorsements from Rabindranath Tagore, Dr Annie Besant and C Rajagopalachari. Despite the heavily skewed business landscape that protected British business interests, Godrej products held their own against multinationals.

By the time he died in 1936, Ardeshir had expanded Godrej's businesses into new areas. That year, Godrej & Boyce and Godrej Soaps posted revenues of INR 12 lakh and INR 6 lakh respectively.

Consolidation phase

Ardeshir's younger brother Pirojsha, who succeeded him, focussed on consolidation rather than expansion into new areas. By Independence, the Group's revenues had grown five times to INR 90 lakh.

In 1948, the company secured permission to construct its first manufacturing plant on a large parcel of land that Pirojsha had acquired in Vikhroli (in current-day Mumbai). What it manufactured first was not

locks or safes, but secure ballot boxes for independent India's first elections in 1952.

To showcase Indian prowess in manufacturing — the original 'Make in India' campaign! — Godrej diversified into making typewriters in 1953. Only four of the 1,800 components were imported; even these were soon being made at home. At the Congress session at Avadi, in Madras, Jawaharlal Nehru stooped over a Godrej typewriter to tip-tap a few words, signalling India's early success in industrialisation. Pirojsha then ventured into making refrigerators; in 1958, the first Indian fridge came with a INR 1,885 tag.

Pirojsha got his three sons on board: Sohrabji to look into overall marketing of Godrej products, Burjorji to look after soaps, and Naval to look into typewriters, refrigerators and hi-tech electronics.

Going global

The 1960s were a decade of two wars, a drought, and rampant inflation. In 1963, in the midst of that crisis, Burjorji's son Adi Godrej took over the soaps business, which then had a turnover of INR 2.43 crore.

This was the decade when the Group gained global footprint. After a couple of falst starts, it secured a foothold in Malaysia and, later, Singapore. By the 1970s, exports to western Europe picked up.

Pirojsha passed away in 1972; by then, the third generation of the Godrej family was in the saddle, with Naval's son Jamshyd heading the steel business, while Adi took Godrej soaps to new heights.

By 1975, the group's exports touched INR 22 crore. Inspired by Japanese processes, it introduced the Godrej Management System, to improve productivity and reduce inventories.

The dawn of the 1980s was marked by fierce competition with Hindustan Lever in the soaps segment. "We needed big ideas to take on the competition and for the first time a male protagonist was used to promote a soap brand," recalls adman Sam Balsara, who handled the Cinthol account. The campaign in 1985 featured Vinod Khanna on horseback and, later, Imran Khan. Both proved phenomenal hits.

Post-1991 phase

When the gale force of economic reforms came sweeping in 1991, Godrej was poised for take-off. In the 25 years since, the Group has grown into a USD 4.5 billion (INR 30,000 crore) conglomerate, with an impressive global footprint.

These 25 years have also seen the Group experiment, unsuccessfully, with joint ventures with GE, P&G, Sara Lee, Pillsbury and Hershey. And in 2008, when the global financial crisis dragged down economies, the Group, now into its fourth-generation leadership under Adi's daughter Tanya Dubash, underwent a rebranding exercise to extend the brand appeal to young customers.

Looking ahead, the Group plans to stick to its growth target of "10x in 10 years" (*See Interview*), growing both organically and through acquisitions. Industry analysts feel the Group will deliver. "They truly walk the talk," says Nilesh Shah, Managing Director, Kotak Mutual Fund.

It's been 119 years since Ardeshir, the low-profile Parsi gentleman, implanted the Godrej flag in the land that adopted his Guderz tribe (from which the family name derives) that fled from Iran. In this time, the Godrej Group has established itself not only as an entrepreneurial success, but as a business that runs on strong ethical foundations.