

Fostering Innovation, Integration and Inclusion Through
Interdisciplinary Practices in Management

Family Business Governance System of
Dabur Group a Case Study

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ABSTRACT

This paper studies about family business i.e. a corporation that is entirely owned and managed by members of a single family. This paper also studies how family business is managed by good family business governance system for effective control. Good governance in terms of separate family governance structure and business governance structure. This paper studies about family business governance system of Dabur Group popular business group in India.

KEYWORDS: Family Governance structure

I. INTRODUCTION

A family business means the business actively owned and or managed by more than one member of the same family. To manage family business effectively is called as family business management. To manage family business we require proper governance system for family as well as business since both are separate entities and their management and control required is separate. For family a Family constitution and family Institutions should be their. And for business good composition of Board of Directors and professional management and CEO is important. Board committees are also essential for effective governance of business.

II. LITERATURE REVIEW

Burman, Anand. (2012) In their article "How Dabur's Burmans Segregated Family and Business" as he told to Prince Mathews Thomas they have explored about their own family business he stated family governance system of their group. He stated family constitution and the council do not govern personal matters.

Raghunathan, A. (2015) in her article entitled "Delhi's Burman Family Professionalized Consumer Company Dabur In 1998 And Reaped Rich Reward" given details regarding Burman family history how Dabur group was established by S.K.Brman. She has given details regarding Family governance system of Dabur group like only male members are their with age more than 25. No females can be part of family council. Chairman and voice chairman position are reserved for family members and chairman is rotated with consent of family members.

N MADHAVAN. (2017) In his article entitled "A family constitution can bridge the gap between family and business values" given details regarding Dabur group family Governance system. Dabur created a family council with all the male members of the family, above the age of 25, numbering over 10, were made part of it, which acts as an

interface between the family and the Board and management of Dabur. In his article he has compare family constitution of various family business like Dabur, GMR, Emami group etc.

Ravan Sanket V. (2018) In his paper entitled "Governance System of Family Business: A Case study of Godrej Group" studied family governance system of Godrej group. And conclude that Godrej group got success because of their proper governance system for business and family, with involving more independent outside directors on board for better governance. Also they have good family constitution in terms of vision, mission and values.

This study covers family governance system for family business management and challenges faced by family business in India.

III. OBJECTIVES OF THE STUDY

1. To study family governance system in family business.
2. To study family business governance system of Dabur group.

IV. RESEARCH METHODOLOGY

For the completion of research paper researcher has used Descriptive research method.

Data collection:

For this research, data is collected through only secondary sources like company website, various articles available on internet, research paper in journal etc.

V. LIMITATIONS OF THE STUDY

The study was conducted through secondary data sources only.

VI. DISCUSSION

Theoretical background-

Definition- Family business has been defined as a business that is owned and managed (i.e, controlled) by one or more family members (handlers, 1989,Hollander & Elman,1988).

At world level various popular family business are present like Ford , Samsung ,Toyota, Wal-Mart, WWE etc.

In India various popular family business are present like Aditya Birla Group, Godrej, Wipro, Hero Moto Corp, Tata Group , Dabur Group etc.

Governance in a family business can be thought of in terms of:

- A. Structures, such as creating a family learning and development committee;
- B. Processes, for example, creating and running ongoing ownership education programs and the annual preparation of a personal development plan; and
- C. Policies, for example, an aspect of the family employment policy could be that family member employees are expected to participate in the family learning and development programs.

The major constituents of a family governance structure are:

- **A family constitution** that clearly states the family vision, mission, values, and policies regulating family members' relationship with the business.
- **Family institutions** which can have different forms and purposes, e.g. Family assembly, family council, and other family committees.

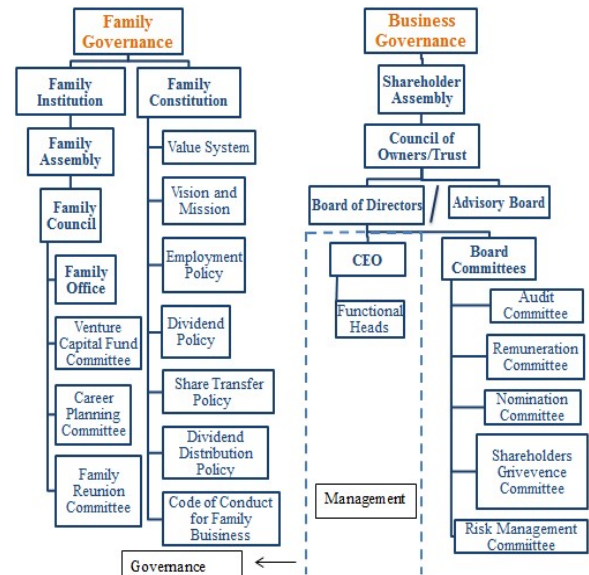


Fig- Governance structure for family business enterprise

FAMILY GOVERNANCE INSTITUTIONS-

Family Assembly-

The family assembly is a formal forum for discussion for all family members about issues of business and family. During the founder(s) stage of the business, the family assembly is replaced by a more frequent and informal "Family Meeting". Meeting 1-2 times a year.

Family Council- "Family Supervisory Board", "Inner Council" The family council is a governance body that focuses on family matters. It is to the family what the board of directors is to the enterprise. The council is usually established once the family reaches a critical size, i.e. more than 30 members. Manageable size, i.e. from 5 to 9 members. These members are usually elected by the family assembly by taking into consideration their qualifications and availability to perform the council's duties, meet from 2 to 6 times per year.

Family Office-

The family office is an investment and administrative centre that is organized and overseen by the family council. Family offices are usually very common within large and wealthy families in business, whose members express a need for getting personal financial, banking, accounting, and other advice, usually populated by professional managers who monitor the investments, tax compliance, insurance, financial planning, and intra-family transactions such as gifts of stocks and estate plans.

Advisory boards-

The advisory board is a group of experienced and respected individuals that many family businesses form when their own boards of directors remain only composed of family members and company senior managers.

Practical size for an advisory board is from 3 to 7 members

Board of Directors-**board size, i.e. 5 to 9 members.**

Main tasks assigned to the board of directors include:

- Securing senior management succession.
- Ensuring the availability of financial resources.
- Ensuring the adequacy of the company's internal controls and risk management systems.
- Reporting to the owners and other interested parties.

Discussion-**A Case of Dabur Group-**

Dabur India Ltd is one of India's leading FMCG Companies with Revenues of over Rs 7,680 Crore & Market Capitalisation of over Rs 48,800 Crore. Building on a legacy of quality and experience of over 133 years, Dabur is today India's Most Trusted Name and the World's Largest Ayurvedic and Natural Health Care Company.

The story of Dabur began with a small, but visionary Endeavour by Dr. S. K. Burman, a physician tucked away in

Bengal. His mission was to provide effective and affordable cure for ordinary people in far-flung villages. With missionary zeal and fervour, Dr. Burman undertook the task of preparing natural cures for the killer diseases of those days, like cholera, malaria and plague.

Soon the news of his medicines traveled, and he came to be known as the trusted 'Daktar' or Doctor who came up with effective cures. And that is how his venture **Dabur** got its name - derived from the Devanagari rendition of **Daktar Burman**.

Dr. Burman set up Dabur in 1884 to produce and dispense Ayurvedic medicines. Reaching out to a wide mass of people who had no access to proper treatment. Dr. S. K. Burman's commitment and ceaseless efforts resulted in the company growing from a fledgling medicine manufacturer in a small Calcutta house, to a household name that at once evokes trust and reliability.

Business Governance System of Dabur-**Composition of Board of Dabur India Limited**

Dabur, appointed non family professional CEO. Mr. Sunil Duggal is the Chief Executive Officer (CEO) of the \$1.2 Billion Dabur India Limited, one of India's largest consumer products maker & best ayurvedic company.

Name of the Director	Directors Category	Date of Appointment in the Current term/ cessation	Tenure*
Dr. Anand C. Barman	Chairman/NonExecutive	13.10.1986 ¹	N.A.
Amit Burman	ViceChairman/Non- Executive	01.11.2001 ²	N.A.
Mohit Burman	Non-Executive	23.07.2007 ²	N.A.
Saket Burman	Non-Executive	31.01.2012 ³	N.A.
P D Narang	Executive	01.04.1998 ⁴	N.A.
Sunil Duggal	Executive/CEO	31.07.2000 ⁵	N.A.
P N Vijay	Non Executive/ Independent	22.07.2014 ⁶	5 yrs.
R C Bhargava	Non Executive/ Independent	22.07.2014 ^{6&3A}	5 yrs.
Dr. S Narayan	Non Executive/ Independent	22.07.2014 ^{6&3A}	5 yrs.
Dr. Ajay Dua	Non Executive/ Independent	22.07.2014 ⁶	5 yrs.
Sanjay Kr. Bhattacharyya	Non Executive/ Independent	22.07.2014 ⁶	5 yrs.
Mrs. Falguni Sanjay Nayar	Non Executive/ Independent	28.07.2014 ⁶	5 yrs.

Various Committees
1. Audit Committee
2. Stakeholders Relationship Committee
3. Nomination and Remuneration Committee
4. Risk Management Committee

CEO- This position is taken by non-family member Mr.Sunil Duggal

Family Governance System -

Family Council- Dabur created a family council. Family council was set up and all the male members of the family, above the age of 25, numbering over 10, were made part of it, which acts as an interface between the family and the Board and management of Dabur. (N MADHAVAN, 2017)

The family council of the Burman family meets every quarter, usually after the Board Meeting where the financial results are announced. (Bhasin, 2017). At each Council meeting, the CEO and other executives will present the performance of the business to the Council, thereby allows discussion between management and family. (JAFEE, 2002)

Family Council is entirely male--no wives, sisters or mothers may join. (Raghunathan, 2015) The constitution and the council do not govern personal matters. But someone has a proposal to start a new venture, he can present it to the council. Council's role is look the broader business strategies and vision of company. Family Business Council provided venture capital funding for new business ideas.

Family Assembly-It is at this meeting that members are encouraged to talk about their own venture. The family members who are part of the Board of Directors of Dabur take the other family members through the business and the projections for the year ahead.

The family gets together for events like engagements, marriages and milestone birthdays and anniversaries. (Raghunathan, 2015)

Family Office-

The family office in downtown Delhi consisted of offices on several floors of a small building, and there the family is located. Apart from offices for family members, there are offices for several family advisors, including P. D. Narang, who has held key positions in Dabur (including a Director on the Board) and has been working with the family for many years as a business advisor. (JAFEE, 2002)

Family Constitution: Family policies and guiding vision and values that regulate members relationship in business. In family constitution of Burman family they have clear succession process and dividend policy.

The constitution and the council do not govern personal matters. (Anand Burman, 2012)

Also, in the group, the positions of chairman and vice-chairman have, historically, been held by members of the family. Further, neither of them draw salaries; their income is only from dividends. (Goyal, Dotiwala, Kumra, & Choudhary, 2016)

These two roles are also rotated within the four branches of the Burmans by the family council. There are never more than four family nominees on the 12-member board at any

given point in time. (Goyal, Dotiwala, Kumra, & Choudhary, 2016)

Family members can't occupy executive positions in Dabur, except the board level representation. The family members can only hold the Chairman and Vice-Chairman positions in the business.

The 4 family members on the Dabur board represent the two branches of the family--descending from the two grandsons of the founder. The chairmanship is rotated between the different families and is arrived at by consensus. (Raghunathan, 2015)

Employment Policy- A family member has to prove their worth by working in other outside organizations before joining Dabur. No Family members can occupy executive positions in Dabur. Only professional outsiders play that role.

Value system of Dabur-

Vision

"Dedicated to the health & well being of every household"

Principles

Ownership- This is our company. We accept personal responsibility, and accountability to meet business needs.

Passion For Winning- We all are leaders in our area of responsibility, with a deep commitment to deliver results. We are determined to be the best at doing what matters most.

People Development- People are our most important asset. We add value through result driven training, and we encourage & reward excellence.

Consumer Focus- We have superior understanding of consumer needs and develop products to fulfill them better.

Team Work- We work together on the principle of mutual trust & transparency in a boundary-less organization. We are intellectually honest in advocating proposals, including recognizing risks.

Innovation- Continuous innovation in products & processes is the basis of our success.

Integrity- We are committed to the achievement of business success with integrity. We are honest with consumers, with business partners and with each other.

Dabur has also set Code of Conduct for the Board of Directors and Senior Management.

VII. CONCLUSION

This study concludes that managing family business is difficult task. It requires proper governance system to manage business effectively as well as maintain harmony and good relationship between family members. So, it is essential that separate family governance system and business governance system for family business. As in case of Dabur group Burman family they got success because of proper governance system for business and family also they

have set example for other business by appointing non-family professional CEO for the company. In Dabur only four family members are their on the board out of 12 it shows their professionalism. Also no family member is handling executive role. So, it concludes that an important reason behind the success of Dabur Group is their good family Business Governance system and involvement of professional management.

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