Family Business

Learning Outcomes:-
Understand and explain the significance of family firms in any national economy, qualitatively and quantitatively. Examine the advantages and constraints of the family business form. Assessment of the economic significance of family-run firms. Critical appraisal of the special attributes of these firms.

Video case study “Tyred Out” BBC television
Businessman Gerry Robinson is notorious for transforming vast companies by sacking the bosses. In this series, he shares his international business genius with small companies who are crucially in need of help. One of the oldest Ford dealerships in South Wales is a family-run concern - but has been losing money for three years.

Family businesses - why are we so interested?
Various estimates:-

UK  70% of ALL firms are family owned
EU  85%
Italy 90+%  In USA, family firms make up > 1/3 of Fortune 500.
USA 90%

Examples:-
Mars  (2nd / 3rd generation family corp.)
Lego
Levi
Morgan Car Co.
Agnelli
Pirelli
De Benedetti
Benetton

Locally
Mackays – 3rd generation hardware retailer
Marshalls Group – 4th generation company

In 2003, I attended a meeting of the Royal Aeronautical Society in Cambridge to mark the centenary of the Wright brothers’ first powered flight in 1903. Sir Arthur Marshall, early member of the Marshall Group, gave a short speech. He reminded us that he was born two months before the Wright brothers’ first flight, he was 100 years old. He is still interested in the family business even though he no longer has his office at the company. The Marshall Group employs 2000-3000 people locally and elsewhere in the UK. I met Robert Marshall, the 4th generation, at a business network meeting recently.

So family business is hugely important in the economy.
Reading – this is a very specialist area and is sadly neglected by most writers in the entrepreneurship subject area:–
Entrepreneurship & Small Business Paul Burns, Palgrave, 2001, chapter 13

Enterprise & Small Business Edited by Carter & Jones Evans, FT Prentice Hall, 2000
Chapter 9 “Family & Enterprise” by Denise Fletcher

Mastering Entrepreneurship Edited by Birley & Muzyka, FT Prentice Hall, 2000
Section 5 “People, Family & Teams”

Guide to the Family Business (BDO Stoy Hayward)
Leach & Bogod, Kogan Page, 3rd edition, 1999

Strategic Planning for the Family Business – parallel planning to unify the family and business
Carlock & Ward Palgrave, 2001

Working with Family Business
Bork, Jaffe, Lane, Dashew & Heisler, Jossey Bass, 1996

Perpetuating the Family Business – 50 lessons learned from long-lasting successful families in business
Ward, J Palgrave MacMillan, 2004

Generation to Generation – life cycles of the family business
Gersick, Davis, Hampton & Lansberg

Sustaining the Family Business – an insider’s guide to managing across the generations
Paisner, Basic Books NY, 1999

Family Business – useful websites:–

The BDO Centre for Family Business http://www.bdo.co.uk/

The BDO Centre for Family Business
What are the key issues faced by family businesses?
http://www.bdo.co.uk/BDOSH/Website/bdouk/websiteContent.nsf/450808a98b02c3e38025695a00467ea3/2e02d4664265de5180256dfd003be664?OpenDocument

The BDO Centre for Family Business
A balanced approach to family business management
http://www.bdo.co.uk/BDOSH/Website/bdouk/websiteContent.nsf/450808a98b02c3e38025695a00467ea3/d25beb80e784a48e80256dfd00420f16?OpenDocument

Family Business Network
http://www.fbn-i.org/fbn/web.nsf/Pages/Homepage?OpenDocument

Institute for family Business http://www.ifb.org.uk/

Institute for family Business
Events and conferences
- interesting list of meetings & conferences, gives flavour of family business issues
http://www.ifb.org.uk/events.html

Family Business Solutions
Dr Barbara Murray (director of the Centre of Family Enterprise at Glasgow Caledonian University)

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Family business sayings (centuries old):

English
“There nobbut three generations atween clog and clog” (old English)

Clogs to clogs in three generations
(A clog is a wooden shoe, worn by labourers 200 years ago)

Jewish
Rags to rags (in three generations)

Chinese
Wealth does not pass three generations

Spanish
Padre Bodeguero  Hijo Millionario  Nieto Pordiocero
Tavern owner  Millionaire  Beggar

Portuguese
Pai Rico  Filho Nobre  Neto Pobre
Rich farmer  Noble son  Poor grandson

Italian
Dalle Stalle  Alle Stelle  Alle Stalle
From bar n stalls  to the stars  to bar n stalls

German
Erwerben  Vererben  Verderben
Earn it  bequeath it  wreck it

Chinese
Builds success  Live like gentlemen  Nothing left

Dutch
erven (heir)  verwerven (obtain)  sterven (die)


Universal formula:-
1<sup>st</sup> generation founds the business
2<sup>nd</sup> generation takes over and grows it.
3<sup>rd</sup> generation takes over and destroys it
Family Business - no real theory here, but observations:

Strengths based on family relationships (based on Leach* cited by Burns, 1996)

Sense of belonging, trust, support

Common purpose family values

Flexibility unity of mgt & shareholders
quick decisions
rapid change

Pride

Stability

Long term thinking

Commitment

*The attributes above are very valuable.*

BUT in **excess**, strengths can become weaknesses

Strengths = PROBLEMS

Sense of belonging = internal focus reject external influences

Flexibility unity of mgt & shareholders = internal focus
quick decisions = lack of thought
rapid change = can go in the wrong direction

Pride = arrogance

Stability = resistance to change

Long term thinking = rigidity

Commitment = rigidity
Family business issues

Unwilling to respond to changes around the firm = a big cause of failure.

Exclude ideas from outside = inward looking - ignore market trends

Ageing founder = lack of vitality - risk of ill health or dying

Family goals and Business goals may conflict
Best for family = best for business?

Recruit a family member or professional outside manager?
Nepotism can be a problem!!

Family member may not be competent!

Conflict between growth and ownership
Growing a firm needs delegation to professional managers

Unwilling to recruit outside managers
Loss of control = BIG ISSUE

Pay and incentives
Conflict from pay policies!

How to reward family members & other staff?

Reward based on shareholding or contribution (productivity)?

= Family rate of pay or = market rate of pay?

Case Study

Pay is a real issue. Robert Jones’s friend Charles is MD of his third generation family enterprise in which four siblings all have an interest. They each control 25% of the voting shares. Two of the founder’s grandsons (Charles and his older Andrew) work full-time in the firm and earn approx £40k, with a nice Mercedes company car – they are paid a market rate according to their productivity. The third grandson Edward and the granddaughter Anne do not work in the firm but they expect to paid £40k plus nice Mercedes company car – this is the family rate of pay. The granddaughter Anne attends one annual board meeting for her pay and perks. This is a real family / business life and causes real tensions.
Family business tensions:

The family and the business are the same thing:

<table>
<thead>
<tr>
<th>FAMILY</th>
<th>BUSINESS</th>
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<tbody>
<tr>
<td>problems</td>
<td>problems</td>
</tr>
</tbody>
</table>

Family goals

Business goals

Ownership

Growth

Shareholders

Need for capital

Dilution of control

Need for capital

Family members

Professional outside mgrs

Shareholding

= inheritance

Capitalise inheritance

i.e. sell your shares

This final issue is very significant now in the 2000s. Many family firms change ownership because the younger generation does not want to inherit the enterprise. Sons and daughters wish to capitalise on their inheritance and sell their shares and make their own lives.
Research into Family business

Study of family business started in 1960s and 1970s, with identification of typical problems that hindered these firms e.g. nepotism, generational rivalry, sibling rivalry and unprofessional management.

Gersick, Davis, Hampton & Lansberg, (1997)
Generation to Generation – Life Cycles of the Family Business, HBS Press

The basic model has two systems – the family and the business, each with its own attributes. Problems arise because the same individuals must fulfil obligations in both systems – over-emphasis in one area leads to problems in the other area:

<table>
<thead>
<tr>
<th>Family system</th>
<th>Business system</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Family needs</td>
<td>2. Business demands</td>
</tr>
</tbody>
</table>

e.g. Carlock, R.S. & Ward, J.L. (2001)

**Strategic Planning for the Family Business – Parallel Planning for the family Business**, Palgrave

Satisfying both systems is the key challenge.

The two-system model was further developed in the 1980s by making a distinction between management and ownership and so implying a three circle model:

The Three Circle Model of family Business

This illustrates some of the complexities of family businesses – there are at least 7 different contexts of family business in which individuals can operate.


**Perpetuating the Family Business – 50 Lessons Learned from Long-Lasting, Successful Families in Business**, Palgrave MacMillan
Role of the external agent of change

External agent of change can help to formulate a Family Firm Constitution

Based on values, beliefs & philosophy:
- Objectives for the family business
- Share ownership – voting, control & disposal
- Board membership – voting rights
- Selection of chairman and MD
- Jobs and Pay rates
- Family council meetings
- Procedures for changing the constitution

The Five Insights  

Insight #1  We respect the challenge
Insight #2  Family Business Issues are common and predictable, yet perspectives on the same issues will be different.
Insight #3  Communication is indispensable
Insight #4  Planning is essential to continuity
Insight #5  Commitment is required of us

The Four Ps  

Policies  formulate policies before the need
Purpose  a sense of purpose is vital
Process  decisions are part of a process, not events
Parenting  the younger generation should be nurtured in a business sense as well
The Three Dimensional Developmental Model


Carlock, R.S. & Ward, J.L. (2001)
*Strategic Planning for the Family Business – Parallel Planning for the family Business*, Palgrave
But the biggest issue is SUCCESSION
- handing on the business from one generation to the next. Succession is a key cause of closure of family business.

Why? Families do not plan for it. Then ill-health or death of the founder threatens the continued existence of the firm. Disputes between family members e.g. Littlewoods stores, Clarks shoes Can lead to the death of the business.

Survival rates:-

<table>
<thead>
<tr>
<th>Generation</th>
<th>% of Businesses</th>
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</thead>
<tbody>
<tr>
<td>1st generation</td>
<td>&lt;33%</td>
</tr>
<tr>
<td>2nd generation</td>
<td>10%</td>
</tr>
<tr>
<td>3rd generation</td>
<td>&lt;5%</td>
</tr>
</tbody>
</table>

For successful succession:-

- Start planning early
- Inter-generation teamwork
- Devise a written succession plan
- Involvement & communication
- Take outside help
- Training process
- Plan for retirement
- Agree exit style and role for parent

Universities are active in research, advice and consultancy in this area.
- Succession planning
- Developing a family constitution
- Training for the next generation
- Retirement planning & finance
- Communications
- Tax advice

Succession within the family is one option.

Other options are:-
- Sale to a competitor
- Mgt buy-out
- Mgt buy-in
- Appoint a professional manager
- Appoint a caretaker manager
- Liquidate
Examples of recently former family firms:
These all went through difficulties with succession before selling out to investors and becoming PLCs:
- Marks & Spencer
- Tesco
- Sainsbury
- W H Smith (Strat Mgt seminar example)
- Cadbury

In future years, watch these family organisations:
- Benetton
- Virgin
- Body Shop
- News Corporation
- Royal family
- Richard Branson
- Anita Rodick
- Rupert Murdoch

Also watch: 
Mittelstand firms in Germany

Case study
The Empire Strikes back
The Times Magazine 27 May 2006

From steel mills and grand hotels to call centres and car production, the saga of a great 
business dynasty charts India's Raj to riches journey. Damian Whitworth meets the 
enigmatic industrialist who is driving the country's economic miracle

In 1835, British officials in the remote frontier country of Assam, in northeast India, made a discovery that changed the history of the Empire. After years of scouring the world for a new source of tea that would reduce reliance on China, they found *Camellia sinensis*, the plant from which tea is derived, growing wild in the hills. The Tea Rush followed, and the exploitation of India for its "green gold" became one of the most lucrative ventures of Imperial rule.

In 2000, some reverse colonisation occurred. The Tata Group, the greatest business empire in modern India, gobbled up Tetley, Britain's leading tea-bag brand and the second biggest in the world. A snip at $432 million. This was the largest foreign acquisition by an Indian company, and trumpeted the country's arrival as a major power in the global marketplace. Then, two months ago, in an appointment reported by one Indian daily under the headline, "Tata to Britain's rescue", the company's chairman Ratan Tata was named as one of 12 founding members (along with Bill Gates) of Gordon Brown's International Business Advisory Council.

Today, in an opulent suite in the Taj Mahal Palace, the famous Tata-owned hotel in Mumbai, Ratan Tata looks out across the Arabian Sea towards the West, sips iced tea (Tetley's, of course) and reflects on that deal. Did he enjoy the irony of an Indian company buying Britain's leading tea brand? He chuckles. "Yes:' he says, then quickly changes the subject. Tata is too shrewd and too shy to be caught gloating about his successes like some territory-grabbing East India Company nabob.

In a country where family firms have dominated the landscape for generations, the House of Tata remains *primus inter pares*. "They are the biggest," says Arvind Jolly, a former president of the Mumbai chamber of commerce and a leading figure in the finance capital, "the big brother". In India's tiger economy, nobody roars louder than the Tata Group, a $17-billion conglomerate that is the country's largest by market capitalisation, and accounts for 2.8 per cent of India's GDP. Ratan is the unassuming but brilliant chairman, a business visionary who has turned a lumbering dinosaur into a modern corporation that pads hungrily into every corner of the world market.

The story of the Tatas is the story of the Indian economic miracle. "What is good for Tata is good for India," says Jolly, echoing the old boast about General Motors and America. There have been a lot of headlines about the "outsourcing" of jobs to India, and Tata has been the biggest beneficiary of this trend. But Tata is about much more than outsourcing: it is a behemoth, involved in everything from heavy industry and car manufacture to retail, luxury jets and world-famous hotels. The Tata story is the story of the changing global economy and its effect on all our lives. India has recorded average growth of 7.5 per cent in recent years, and this year for the first time Indian investment in the UK exceeded the reciprocal flow from the former Imperial power. There is no sign of this growth slowing. If you want a glimpse of what is hurtling towards us, you just need to listen to what Ratan Tata is planning.
Jamsetjl Tatar the enlightened founder of the group

Former chairman J.R.D. Tata with the crew of an Air India jumbo jet in 1971

Current group chairman Ratan Tata

Tata cars roll off the production line

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The founder of the Tata business empire was Jamsetji Tata, a 19th-century industrialist and nationalist who went to Lancashire to study the cotton business and returned to India to set up his own mills and make his fortune. His iron and steel mill earned him the scorn of colonial administrators, who did not want to see Indian entrepreneurs succeeding in fields they had neglected. Sir Frederick Upcott, the chief commissioner of the Great Indian Peninsula Railway, pledged to "eat every pound of steel rail [the Tatas] succeed in making". But the mill secured the future of the Tatas. While the cotton mills have long since been sold off, Tata Steel is the largest private steel company in India, and one of the lowest-cost producers in the world.

The enlightened Jamsetji also laid the foundations for a model company town to house his steel workers, and when the plant came online in 1912 the employees worked an eight-hour day, unheard of in most of the West, let alone India. He set aside a slice of his fortune for the Indian Institute of Science, which became a world-class institution that produced Nobel laureates, and created an endowment to educate Indians in Britain. Jamsetji's philanthropic instincts were passed on to his sons, who set up the charitable trusts into which much of the Tata profits are still channelled.

The most famous story about Jamsetji concerns the day he took a foreign guest to Watson's Hotel, then regarded as the best in Bombay. Jamsetji was refused entry on the grounds that he was Indian. He announced that he would build his own hotel to outshine anything else in the city. He did more than that. In the Taj Mahal Palace, he created a monument to his memory, a giant edifice that greeted those arriving from the West by sea and became a second home to maharajahs, Imperial administrators and international travellers. George Bernard Shaw when he stayed there announced that he no longer felt the need to see the other Taj Mahal in Agra. Today, the hotel looks down on the Gateway of India, the great arch under which the last British troops passed at the end of the colonial era. The hotel is still the social epicentre of India's business capital, a sumptuously appointed oasis in the teeming metropolis, where new technology billionaires rub shoulders with Bollywood legends.

'RATAN CONCENTRATES ON ONE OBJECTIVE: HOW TO MAKE TATA ADVANCE'

Before I met Tata, I was invited to a party thrown by the head of Air India (founded by the Tatas) in one of the hotel's high-ceilinged ballrooms. Le tout Mumbai was there, and as the wine flowed, there was only one mysterious absentee: Ratan Tata himself. I asked about his Gatsbyesque non-appearance. Partygoers laughed: "He's a recluse. He doesn't exactly do the cocktail circuit" They talked fondly of Tata, but clearly regarded him as an eccentric. "He sometimes drives himself!" reported one member of this chauffeur-driven set. Randhir Kapoor, the Hollywood film-star-turned-producer, recalled going to the barber in the hotel at the same time as Tata. "He paid for his own haircut," he said, amazed but approving.

Tata, 67, is a bachelor who lives in what an acquaintance calls "a very normal apartment". Dr Ram Tarneja, a former managing director of The Times of India group, who has known Tata since they were students at Cornell, describes him as "a quiet, gentle man, exclusive to himself. He has no hobby except taking the dog for a walk. He concentrates on one objective and that is how to make Tata advance." When I eventually meet Tata in the hotel suite, he is surprisingly forthcoming for a man who has been painted as such an enigma. Within a few minutes, he is describing a rather lonely childhood. His parents divorced when he was still at school, and he lived in a "palatial" house with his "possessive" father and grandmother. "It was a very cosseted life. I didn't have many friends."

He took the "controversial" decision to break from these suffocating conditions to study architecture at Cornell and then work in Los Angeles. He probably would have stayed in the US if his grandmother had not fallen ill. Instead, he returned to India and joined the family firm, working in various far-flung outposts of the conglomerate. The work, particularly at the steel division where he started, was unglamorous and he sensed that his uncle, J.R.D. Tata, the chairman, and his father, the deputy chairman, were trying to test him. "The misconception was that I was a lush coming back to India, and the intention was to break me. I had to prove I wasn't going to be broken." He proved himself by turning around a small electronics company in the group and then took over Tata Industries. In 1991 he was surprised to be handed overall control on the death of J.R.D. Tata, who had been at the helm for more than 50 years. But "the greater surprise was when I saw that the company was just a shell. It had no income, no cash flow. It had nothing."

The succession of Tatas who headed the group after Jamsetji's passing in 1904 created a sprawling giant. But when he took over, Ratan Tata discovered that each division was run by a different chieftain as a private fiefdom, with no proper central control. Ratan Tata's elevation to the throne coincided with the opening up of the Indian economy in the early Nineties, and the end of the so-called "licence Raj" that had stifled business growth since Independence. He shook up the group, focusing on the development of high-tech companies and putting the Tatas at the forefront of the Indian economic miracle.

India, with its huge, cheap workforce and network of institutes of technology churning out English-speaking graduates, was ideally placed when the information superhighway opened up. Western companies realised that they could outsource all sorts of work, whether it was solving network problems, designing software, or all manner of other backroom services, to India. The laying of fibre-optic cables made telephone and computer communication so fast that Bangalore seemed as close as Bangor. When the dot-com bubble burst, companies that had spent billions laying the cable collapsed, and Indian companies snapped up the means of transferring voice calls and data themselves. VSNL, India's leading international telecommunications service provider, in which the Tata Group is the biggest shareholder, recently bought Tyco Global Network, with its 60,000 kilometres of cable spanning America, Europe and Asia, and total assets of $25 billion, for just $130 million.

Call centres have attracted the headlines, but there is a lot more to outsourcing. Tata Consultancy Services, with revenues of $2.97 billion, is the biggest Indian IT and business process outsourcing company. Seven out of the US Fortune Top 10 companies are TCS clients. The UK is the company's second largest market. TCS is involved in a £896-million, nine-year contract...
contract to integrate electronic records for the NHS, and also works for BT, Virgin Atlantic, Somerfield and P&O, among others. Ratan Tata wants to do more than this. In his vision, Tata people will become creators, designing software or products for the rest of the world. To see inside one of TCS's busy campuses in Mumbai, where young, hungry graduates are buzzing with enthusiasm and ideas, makes this seem eminently likely.

The strength of Tata, however, is in old industries as well as new. Three hours from Mumbai, in the bustling town of Pune, is the home of Tata Motors. Tata has 60 per cent of India's commercial vehicle market and 17 per cent of the personal car market, and it only entered the latter latter six years ago. In vast factory sheds that stretch into the distance, production lines are manned by small armies of humans and robots. Large signs exhort them to "Reach Perfection Through Improvements Continuously", and promise that "Success is Sure". Every 105 seconds, a new car rolls off the line.

Dr Venkatraman Sumantran, the head of Tata Motors, regards it as "a relevant milestone when we started selling cars back to the British Midlands". Tata Indica cars were sold by MG Rover, under the name City Rover, with limited success until MG Rover collapsed last year. The Tata Safari, a sports utility vehicle, was designed in the UK by a company called l.o.D. Recently, the Tata Group announced that it was building a £6-million engineering and technology centre near Coventry to supply services for the UK car industry. For his next trick, Ratan Tata wants to produce a £2,000 car for the Asian market. In India, where only 4 per cent of households own a car, Tata believes he could sell a million a year. "I want to provide a form of transport that would stop people having to sit on a scooter with little kids on the back on slippery roads in the middle of the night. It is not a vehicle that could drive on the ML it is not meant to be." Nevertheless, the company has ambitions to do more business in Europe, and a mass-produced car at twice the price would be an interesting prospect.

I am beginning to see a future in which I dial a freephone number and am connected along fibre-optic cables owned by Tata to a Tata call centre in Bangalore that uses Tata-designed software, where a Tata-educated graduate takes my order for a Tata car. Ratan Tata chuckles again. "That, in a manner of speaking, is the future;' he says. Are there going to be any jobs left for the rest of us? "Skilled people in the UK and the US might find it worthwhile to relocate in India." That is not altogether reassuring.

Ratan Tata believes it will be hard for a country like India to re-create the creative "ambience" of somewhere like Silicon Valley. In any case, in the "boundary-less" world he foresees, there will be "a lot of give and take" between countries over jobs. Champions of the global market, such as Thomas Friedman, author of The World Is Flat, share this view, arguing that as long as Western workers are prepared to upgrade their skills, they will find new employment in the new jobs that are created when their less skilled jobs are outsourced to Asia. India, like the rest of the world, is looking anxiously at China, the world's factory. In China, Ratan believes, India has a rival "to pace itself against", and that while China is a massive producer, India, for now, has the edge in terms of skills and creativity. The problem for India is that it lags far behind in terms of infrastructure. "We need power, roads, ports. India is still looking at its growth timidly."

He says the same about his company. "We are still timid We are still looking at digesting small bites." He is perhaps being a little disingenuous here. One area where his appetite for big mouthfuls is clear is in Taj Hotels. Among the group's luxury resort hotels are the Lake Palace in Udaipur, the second best-known image in India after the Taj Mahal. Last summer, the group snapped up the Pierre, the Manhattan landmark hotel. Although the group owns two hotels in London, the Crowne Plaza in St James's and 51 Buckingham Gate, Raymond Bickson, the high-octane Hawaiian who heads Taj Hotels, says he is determined to get his hands on one of the capital's most famous hotels. In ten years' time, Ratan Tata expects that his company will be a household name in Britain.

For an Indian company Tata's organisation seems to have a funny way of going about business. A well-known Indian investigative journalist told me that the group is different from other companies in the country: "They refuse to take bribes. That's very unusual"

"Corruption is rife," says Tata. "We will not submit ourselves to corruption." The Tata group is possibly unique among global corporations in its approach to its workers. Take Ratan Tata's restructuring of the steel division. Instead of just laying off thousands of workers, he arranged for them to carry on receiving their salaries until retirement age. But Tata admits that the culture is changing. "Thirty years ago, an employee joined Tata and expected to stay here all his life. Today's world is different. We need to be a lot harder on our employees, and they have to look for opportunities as they come their way."

The ethos of corporate social responsibility that the nationalist Jamsetji Tata sketched out is still central to the way the conglomerate operates. A series of trusts control 66 per cent of the shares of Tata Sons, the holding company of the group, and the profits are channelled into community projects. For all the talk of the rise of the Indian middle class, there remains massive poverty in a country where 70 per cent of the population are still involved in agriculture and 300 million attempt to survive on less than a dollar a day. The new rich of Mumbai are a tiny minority in a city that contains mile after mile of slums. "The statistics are chilling," says Tata. "We produce 18 million new people every year. That's [almost] one Australia each year. I would love to see the disparity between the rich and poor reduced. If you have a billion people that should be our strength."

While he is worrying about the future of a sixth of humanity, he is also searching for one individual who will protect the Tata legacy. He has no children, and there is no obvious Tata candidate to take over from him. In the summer, the group changed the rules regarding retirement age so Ratan can stay on until he is 75 - "to give me a little more breathing space. There are people that are being watched"

Gurcharan Das, a venture capitalist, former CEO of Procter & Gamble in India and the author of India Unbound, says that the problems of India threaten Tata and his empire. "The License Raj has been replaced by Inspector Raj; he says, in which

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government functionaries continue to stifle enterprise with red tape. Can Tata become one of the world's dominant corporations? "The jury is out," he says.

A senior Tata executive told me that when the group bought Tetley it became apparent that the British and Indian working cultures were very different On occasion, he said, it had been necessary to "shake the hell out of them". Ratan says the British and Indians "had very different styles, but they have found their common medium. The management team stayed and has integrated well."

In Greenford, West London, the headquarters of Tetley, Ken Pringle, the Yorkshireman who was running the company before the Tatas arrived, is still at the helm. He talks enthusiastically of how the cash and resources of the Tatas enable the expansion of Tetley. He works for a British company that is owned by Indians and the profits from the trade in this corner of the business empire go back into improving life in India. His own fees for being on the board of Tata Tea fund good works in the mother country, and he even has a Ken Pringle School in Calcutta. The world has come a long way since the British Empire was getting rich on the profits of Indian tea. Pringle smiles. "It's sort of the reverse."

Ratan Tata rings the opening bell to mark Tata Motors' listing on the New York Stock Exchange