

Role of Experience and Luck in Management Success

An interview with R.V. Kanoria, Managing Director of Kanoria Chemicals & Industries Ltd.

Mr. R.V. Kanoria is the Chairman and Managing Director of Kanoria Chemicals & Industries Ltd. and was the former President of the Federation of Indian Chambers of Commerce and Industry (FICCI).

Interviewer: Could you please tell us about your family background?

Kanoria: Basically I was born into a family of business, the Kanoria family. Although I would say I wasn't really born with a silver spoon. I am the second generation of entrepreneurs and have had a lot of say in building up the business, whilst not really enjoying the fruits of the business which had already been built. We are four siblings; three sisters and myself and part of a greater family, my father's five brothers.

Ours was an extended joint family and the children have never looked at themselves as children of a particular brother. Even today, all of us cousins, the second generation and even my children and their children, the third generation, they all treat each other as brothers and sisters, which I think is something quite remarkable.

Within the family, my father was the only university graduate; he graduated in economics at Scottish Church College. The family was a very reformist family. We always wanted to do things without the ostentation, without the show and always do things in a simple way, but these values have not been maintained across all the families. Our family has now grown to 135 people, but it's not monitored and maintained, although I would say that that core is still there.

I would say that the biggest part in my upbringing really was this value concept, plus the experience of having seeing the growth in the family and the transition from one stage to the other at a very young but impressionable age when I joined the business.

While I was growing up I was part of this entire process of growing from one room, to one floor and then from one floor to our own house by 1967. We are an extremely fortunate family, but we had very sound values. At every point in time we were constantly reminded of where we came from.

Interviewer: Please tell us about your education.

Kanoria: I started my schooling in Calcutta and then joined St. Xavier's College in Calcutta. By that time, the family had reached a degree of affluence and it was expected that I would also join the family business in commerce. But I always had interest in engineering and scientific subjects although I wasn't allowed to go out to study. Given the choice, I would have preferred to pursue an engineering program, but that's how it was; it was a conservative family business and they weren't willing to let the only son go out of the business.

At the age of 18 I was out of college and I joined the jute mill business. By that time, in 1974, we had acquired another jute mill. I remained in business and then I started applying to universities and every year I used to get accepted, but I was never allowed to go abroad for studies. Finally, in 1979, six years after I joined the business, I managed to go and I did my Master's at IMD. Not many *Marwari* boys were going out to study at that point of time, especially not for postgraduate studies.

Interviewer: When and how did you join your family business?

Kanoria: In 1971 my father had become the President of FICCI and I joined our family business in 1974. Because of his position, he was spending so much time on social activities and things like that and working hands were needed.

Sadly, the year before I joined my grandmother passed away and my grandfather decided then that the family business should be split. Within six months of my grandmother's passing, the family of five brothers was split into three groups. The eldest uncle was on his own and then my father (the second brother) and the youngest one were together and the third and the fourth were together. So the family was split and, by 1974 when I was brought in, it was my uncle and my father and that was it.

Basically I started my career working with my youngest uncle who was looking after the jute business. I started my career in the jute industry near Calcutta. My father was involved in the chemical business. He was the kind of the financial and the social face of the company.

Interviewer: Could you elaborate on the beginnings of your family business and how it grew over the years?

Kanoria: The family essentially started out in the manufacturing sector in 1955, the year that I was born. My grandfather was a trader originally and he started trading in raw jute from

Calcutta and then he started baling jute by buying it from the farmers and then baling it and exporting it to other countries. This was to be the base of the jute industry just at the time of independence.

Then unfortunately losses occurred in many places because they went into erstwhile East Pakistan, now Bangladesh and Myanmar in partition. So we had to start afresh. It was a small business, but my father was lucky because he had managed to get a jute mill on lease.

My grandfather bought several jute mills and the family grew on the acquisitions. We acquired from well-known units which were all erstwhile British owned companies, although they might have been run by Indians as managing trustees. We acquired those mills from the managing agencies which was actually the divestment by the British companies, but the transactions were actually concluded by the managing agencies. This was the time when a larger *Marwari* takeover of a lot of managing agency companies was taking place. Birlas had actually set up their own jute mill, because by then the Birla family was already well established. At one point the family of five was managing this business and between 1955-1974 the business grew; we took over a textile mill, although in between there were also a couple of misadventures where some units didn't perform well so we closed them.

In 1963 my father set up Kanoria Chemicals. He was very close to the late Mr. G.D. Birla who used to treat him as a son. He accompanied Birla to sign an agreement with Kaizer for the aluminum plant. Kaizer Aluminium was a partner for Hindalco in Renukoot. The raw material for aluminum is caustic soda and Birla asked my father whether he would like to open a caustic soda plant in Renukoot which at the time was a total jungle.

So by then it was a diversified business in the sense that my father and my youngest uncle had a chemical plant, two jute mills and one textile mill. My eldest uncle had jute and textile; the third and fourth brothers had tea and sugar. Apart from the jute mills, the rest of the business was outside of Calcutta and outside of Bengal.

Interviewer: How did you learn the skills of doing business?

Kanoria: I learnt from experience. I think the biggest waste of my life was three years of college in St. Xavier's. I have sent both my children overseas; my son started at the University of Virginia this year where. You are welcomed and made so comfortable so it really gives you a good feeling that the kids are on their own, but if there is a problem, they are well taken care of. I had gone through college at a very peculiar time because that was the height of the Naxalite movement. It was just a waste of time.

Interviewer: How do you balance your family life with your business life?

Kanoria: I got married in 1975 when I was just about 21. It wasn't an arranged marriage. Actually, my wife is my brother-in-law's sister, so we are brother and sister married to brother and sister. After I was married there were fewer objections to my going abroad to study. I am much more comfortable in doing business outside the country than in India and can identify with people outside very well.

Interviewer: How did you progress to your present position?

Kanoria: In 1983, when I was 27 years old, I came back to India after completing my studies abroad and I became the Chairman of the Indian Jute Mills Association. At that time, I was the youngest Chairman in the Association's 120 year history. That was another new learning experience because the Indian Jute Mills Association is a very powerful body and we had a seat on the Central Advisory Council for Industries and the Central Advisory Council for Trade which were both headed by the Commerce Minister.

In 1984-85 I got the first chance of setting up my own business when my father decided Kanoria Chemicals should diversify.

Interviewer: In India, what do you think are the important things to be a success in business?

Kanoria: I feel that luck is a very huge part of success. One should not say that I did this or I did that. You can do lots of things and lots of things can also go wrong, but the fact that things go right means there is some element of luck.

It was difficult navigating through the *license raj* maze at the time when we were setting up the plant; if you wanted to buy a replacement part we had to advertise first through the Indian trade journal and wait for two months before we could start importing. We went through the whole rigmarole, plus the attitude held that if a foreigner supplied a piece of technology, it must be you who are at fault. We filed a suit which was settled out of court in our favor when the Germans realized that they had a problem and not us. In the process I was called by the Ministry and told that the Embassy complained that we didn't know how to behave with foreigners. That was in a very bad taste, it left us with a feeling that the Indian Government and this country doesn't really care about its citizens.

That's why I got deeply into these Associations, because I was hell bent on creating self-help and voluntary groups. I resigned as Vice-President of FICCI because I'm not a politician at

heart; I am a technocrat. I am not really interested in solving other peoples' problems and I gave it up because I felt that my work was also suffering because I was spending too much time on them. So, in 1983 I was President of the Indian Jute Mills Association and then in 1985 we set up this plant and I moved to Delhi because we had started working on a new plant to produce poly-propylene based on Mathura Refinery's feedstock.

Interviewer: How good is the policy culture in India in supporting family businesses?

Kanoria: I can't take any credit, but my thinking has always been towards the concept of completely opening up the markets; even today I don't believe in only doing things halfway. This is an issue because when we talk about level-playing field, what are we really talking about? We are talking about a fiscal level and cost structure which is similar to that of your competitor countries. In some cases it is possible to do that, in some cases it is not. Let's face it, you don't have some of the inputs, maybe you don't have the raw material resources, maybe you don't have a particular structure, which means you can't produce something at the same price as somebody else can.

That's when we decide that this country isn't suitable for that particular product; but in most cases, if you study the country as a whole and combine all four regions, every type of wealth and resource is represented in India. I personally think that the Government is clearly not doing enough and they are taking the easy way out.

Lessons Learned: The role of luck in a leader's success is not scientifically proven. But many leaders do advocate the efficacy of luck factor behind a leader's success.