

MANAGING FAMILY BUSINESS AND STRATEGIC MANAGEMENT AT THE GIRDHAR HANDLOOMS

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HANDLOOM INDUSTRY

The handloom industry exists and has special relevance in India's economic and social scape since time immemorial. It has high importance in current time, as well as it gives employment, and more importantly, connects India economically, socially, and culturally. When a Bollywood star Amitabh Bachchan who hails from Prayagraj, Uttar Pradesh working in Mumbai, Maharashtra, wears Pashmina Shawl from Kashmir; it brings a sense of unity in India. Handloom Industry is one of the most important and oldest unorganized sectors of India. With over 4.3 million people involved directly or indirectly in the production, the handloom industry is India's second-largest employment provider for the rural population after agriculture (IBEF, 2018). 77% of the adult weavers and allied workers in the sector are women (Kaushik, Khanna, & Saumya, 2019). It provides enormous employment opportunities to the weavers that include women and people belonging to backward and weaker sections of the society. Total exports in the year 2017-18 were 353.9 (USD million), and imports were 10.8 (USD million) as shown by table no. 1.

Nearly 15 percent of cloth production in India is from the handloom sector. Production of hand woven fabric in India constitutes around 95 percent of global production (IBEF, 2018). The Handloom Export Promotion Council (HEPC), a statutory body constituted under the Ministry of Textiles, Government of India, promotes the export of all handlooms products such as fabrics, home furnishings, carpets, and floor coverings. HEPC initially established in 1965 with 65 members, and its present membership is about 1,500 (HEPC, 2019).

The Firm Girdhar Handloom

Dr. Girdhar Gopal was a first-generation entrepreneur. Girdhar held a Ph.D. degree in Mechanical Engineering. He left his job as Professor at IIT, Kanpur, after working there for 15 years. He started this firm in the year 1988 in the city of Varanasi, Uttar Pradesh, and later shifted to Panipat, Haryana in the year 2000. Currently, the firm has offices in Chennai, Himachal Pradesh, Delhi, and the head office is in Panipat. The company is of the sole proprietor in nature. Girdhar has two children; Neerav Gopal and Shagun Gopal. Neerav is seven years older than his sister Shagun. Neerav has a bachelor's education in Management, whereas; Shagun did her masters in Chemistry. Since 2010 both are equal

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Table No. 1: Major Export Destinations for Indian Handloom Products (2017-18)

Country	Value (USD million)	Share (%)
USA	93.1	26.3
UK	26.1	7.4
Spain	21.2	6.0
Italy	18.0	5.1
Germany	17.8	5.0
UAE	16.7	4.7
France	16.3	4.6
Netherlands	13.7	3.9
Australia	11.6	3.3
Japan	11.6	3.3
Total World	353.9	100

Source: Kaushik, Khanna, & Saumya (2019)

shareholders and looking after the company after their father retired from work. Neerav is holding the position of Managing Director, and Shagun is acting as the Chief Operating Officer.

The primary objective of Girdhar while starting this company was to uplift the small scale manufacturers of India, which was the principal deep rooted value of the firm. Girdhar never believed in advertising his business through any channel, and currently, also the firm is following the same strategy. Social benefiting was the primary motive of starting the business. The firm outsources the goods from manufacturers from different religions, regions, and economic backgrounds. They are uniting the society. As far as the strategy is concerned, the firm always prefers to be a low-cost leader in the industry. However, things are different from their inception. During the initial five years from the year 1988 to 1993, the company showed a Compound Annual Growth Rate of 204%, whereas, now between the years 2013 to 2018, it showed a CAGR of 2.17%, as shown in figure no. 1.

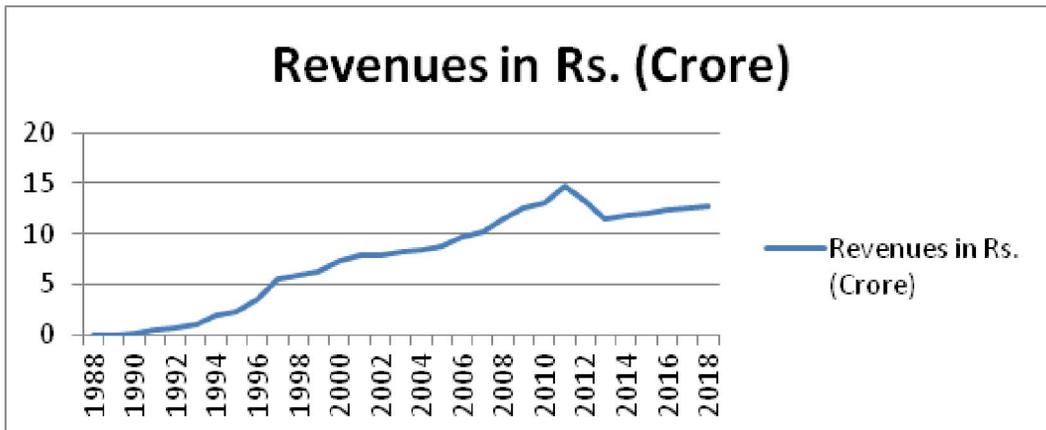


Figure No. 1: Revenues of Girdhar Handlooms (1988-2018)

The company started from a very minute but showed high growth in the initial years. However, now, due to several reasons discussed in the case, the company is not showing positive signs. Girdhar Handlooms outsources its products from small weavers and sells them in the trade fairs, direct selling, local Haats, and Bazaars. Major products of the company are mentioned in table no. 2. In the process, they also provide unofficial consultancies to the small manufacturers.

Table No. 2: Major Handloom Products in which Girdhar Handlooms deals

Product	States	Major Handloom Cluster
Pashmina Weaving	Jammu and Kashmir	Srinagar
Jangla, Tanchoi, and Vaskat	Uttar Pradesh	Varanasi
Bandhej	Rajasthan	Jodhpur
Sualkuchi	Assam	Guwahati
Koraput Weave	Odisha	Koraput
Kanchipuram	Tamil Nadu	Kanchipuram
Patola Weave	Gujarat	Patan
Chanderi Weave	Madhya Pradesh	Chanderi

Source: Discussion with the Company's Manager

Challenges ahead for Girdhar Handlooms

Sales of Girdhar Handlooms are not increasing majorly from 2011 onwards, showing growth before that. However, at the same time, the overheads are rising significantly. The reason for this could be due to the exhaustiveness of demand because of the availability of better substitutes available in the market. Another reason for it could be that those earlier people used to spend their discretionary incomes on handlooms and handicrafts are now spending on electronic products, wellness, and travel packages.

The company is facing main competition by Chinese players in the market who are replacing the handloom products with the less expensive power loom products. Chinese firms are finishing the products by incurring a lower cost and forcing the Indian firms to withdraw from the industry irrespective of the benefits and incentives offered by the Government of India. The second biggest competition is from e-commerce sites such as Alibaba and Amazon.in. People prefer to purchase everything including handloom products online, resulting in lower sales of the Girdhar Handloom. An E-commerce platform such as Amazon karigar store which has tie-ups with 13 government emporiums and enlists 55,000 products, which are quite challenging to compete. Due to the online competition, the firm is struggling to gain profits. Government tie-ups with the E-commerce sites are also making it possible for the buyers to purchase genuine handloom products through sources other than Girdhar Handlooms.

Girdhar Handlooms, which gets its products outsourced only from the handloom manufacturers, also has to face competition from the power loom. Powerloom manufacturing is faster and 16 times cheaper than handloom, and its labor cost is also 10 times lower than the handloom produce (Export-Import Bank of India, 2018, September). In this industry, there is a massive scarcity of raw materials, and the power loom industry procures even those insufficient resources produced at more competitive prices. Lack of credit facility is also there in the handloom sector (only 14.8% of the total weavers had access to the institutionalized credit sources) (Export-Import Bank of India, 2018). Due to the unorganized nature of the handloom industry, it also lacks adequate promotional activities, consumer perception studies, and a lack of awareness of government schemes. Girdhar Handlooms are finding it difficult to create differentiation between the products of handloom and power loom products in the minds of the consumers. Besides, it is challenging to maintain standardized consistency in the handloom products over the power loom produce.

Unorganized mechanism of the working system, lack of education among weavers in the handloom, inadequate exposure to new technologies, weak institutional framework, and lack of professional infrastructure could be the few of the primary reasons for the weakening of this sector. Girdhar Handlooms is also facing several problems from the customers' aspects as the complaints of the customers

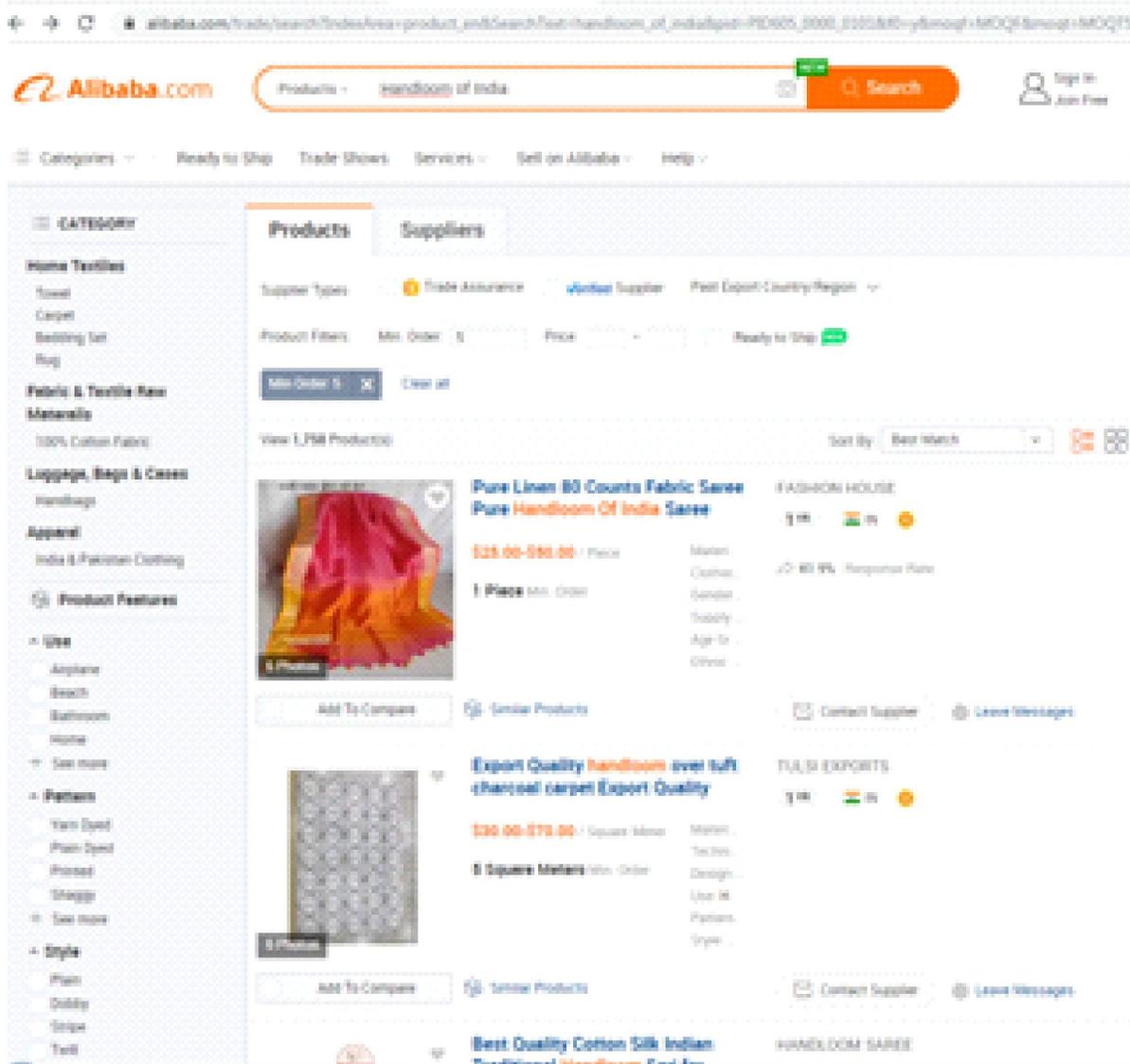


Figure No. 2: Handloom Products enlisted on Alibaba.com

are also rising. With Globalization, customer expectations are also rising. Furthermore, the customers believe that the industry also lacks innovative designs and varieties available in the places selling very similar power loom products.

Proposed Strategic Alternative Solutions to the Problems

In this situation, when the demand is deficient, Shagun believes the company should use defensive approaches of strategic management by reducing the prices of the products and lowering the profit margins. Whereas, Neerav believes offensive strategies can only raise the growth rate of the firm again. Shagun suggested that as the growth is stable and not declining; therefore, the firm should go for stability strategies and focus on market penetration. Whereas, Neerav suggested to go for diversification at this situation. Shagun believes that focus on low-cost strategy as always would be the best option for the firm. Whereas Neerav suggests moving from low-cost strategy to differentiation strategy, by coming up with some innovative and unique products. He also proposed to start taking a 13% profit margin,

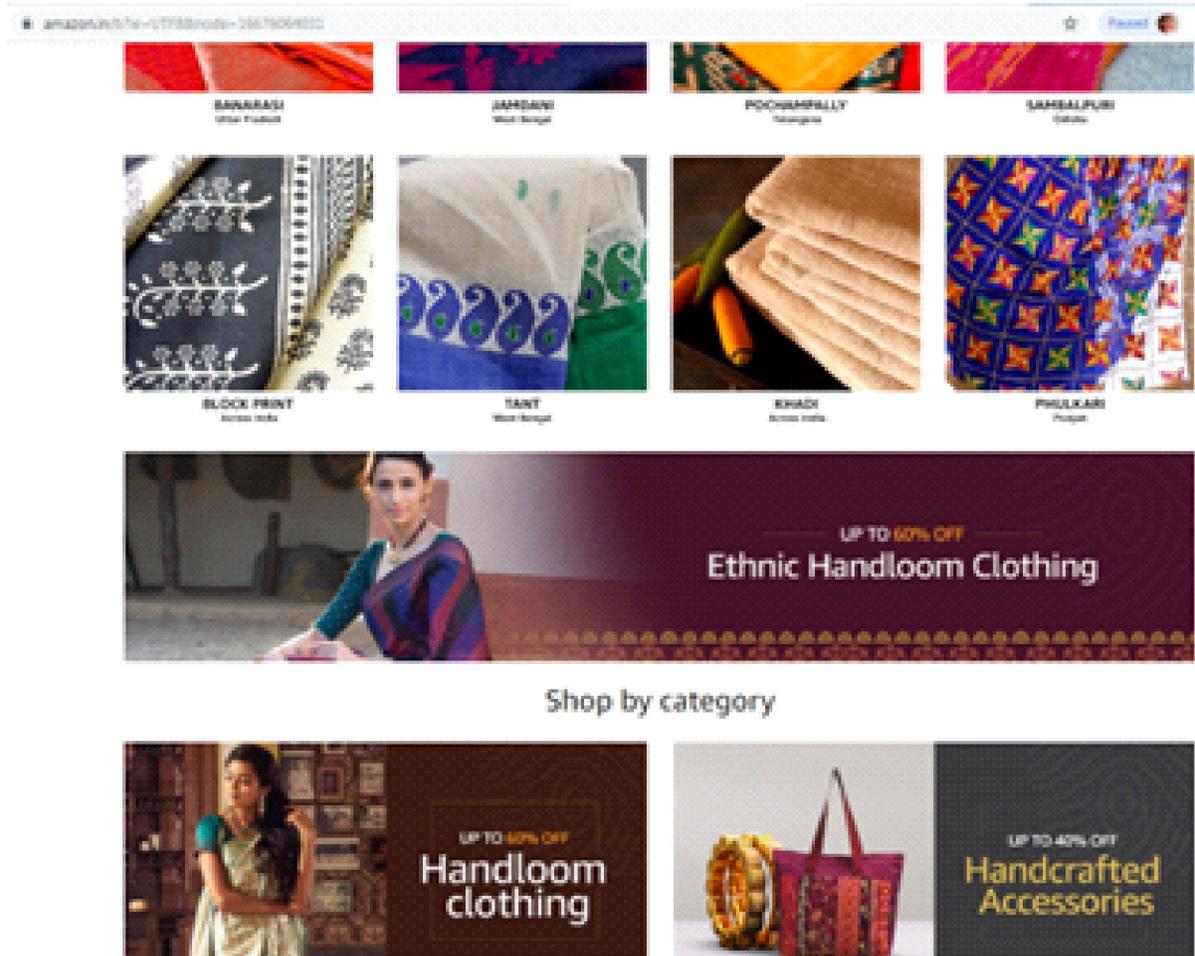


Figure No. 3: Handloom Products enlisted on Amazon Karigar

which is currently less than 3%. However, through this the current profit share of weavers will still reduce, harming the small weavers, and therefore Shagun is against doing that

Shagun advises for vertical integration, having tie-ups with the weavers. She believes that the firm should support the small weavers. They should organize training programs, awareness camps to educate the weavers about the new designs, latest fashion, and financial aids available. She also added that the current wages of the artisans should be looked after to ensure fewer layoffs. She suggested amalgamation of the small manufacturers into clusters so that they can run their businesses more professionally. Neerav believes that the company should not invest money in such programs. He suggests sourcing from power looms, as by that their costs will reduce. Through that, they will also be able to get newer designs that are difficult to obtain from the handlooms. He believes the company should outsource from Chinese manufacturers at meager costs, which can increase the margins. However, Shagun believes that the company should still purchase from small scale manufacturers and not from the firms which manufacture using machines and supplies at much cheaper rates. She suggested sticking with hand-made manufacturing to prevent dilution of their brand, among other power loom and Chinese products.

Shagun believes that the head office should be shifted to Assam as Assam heads in terms of the number of handlooms (47%) and as well as in the number of workers (39%) followed by West Bengal (Handloom-47%, Workers-39%) (Press Information Bureau, 2019). Whereas, Neerav suggests expanding

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internationally. He advised to sell the products to the international markets but denied to open offices there for huge costs. Increase the sales of the countries in which sales are low- countries exhibited in table no. 1.

There are certain things on which both siblings are on the same page. Both of them believe that starting the tie-ups with e-commerce sites and opening their retail outlets will help in increasing sales. They both believe that for these platforms, they should outsource the products from those manufacturers who are giving products with Indian Handloom Brand certification. They both suggest that the company should go for advertisements and celebrity endorsements to attract the new customers. However, Shagun believes the costs for these should not rise that much that they are forced to procure from power loom.

Conclusion

Both the siblings have a different bent of mind, different approaches to deal with the situation now the onus lies on the shoulder of Girdhar to decide the future course of the action for the firm. Girdhar suggested to his children that they should switch from proprietorship to partnership mode now as he believes that it will enhance the inflow of funds in the company. It will lead towards better management also as he believes both the current leaders are unable to uplift the pace of the company's growth. Furthermore, in this way, the decision-making process will be diversified, and better decisions could be taken. For which both the siblings contradict as they believe it will reduce decision making and ownership rights. The final call has to be made by Girdhar so that the growth rate can again come to 204%, which it showed in the 1990s from the current CAGR of 2.17%.

Questions

Now, after going through the above problems faced by the firm and various suggestions, here are some of the questions to be answered to get the firm back on the track.

1. Should the company switch to the partnership from sole proprietorship?
2. Should the company replace handloom products with the less expensive, standard power loom products available in the wider variety?
3. Different offensive strategies suggested by Neerav will incur many costs, should the company go for it?
4. Suggest the best possible strategies for Girdhar Handloom to sustain growth and competitiveness.

Disclaimer: This case is written for educational purposes only. The authors have disguised the names and other information to protect confidentiality.

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