

THOUGHT LEADERS

*The Source Code of
Exceptional Managers and
Entrepreneurs*



Bhavarlal Jain

“Leave this world better than you found it.”

Since its establishment in 1963, the Jain Group (turnover Rs 400 crore, 2200 employees), Jalgaon, Maharashtra has pledged itself to agriculture. Practically every activity it has undertaken, be it business or social, is related to this field. At the helm is an ideologue, founder-chairman Bhavarlal Jain (63), who dared dream to put Jalgaon, a quaint little district town in central Maharashtra, on the world map; and he did.

Jalgaon displays a rare ‘work is life’ culture. Through his deeds Bhavarlal Jain, popularly called Bhau (brother), has demonstrated that agriculture, the agro-processing industry and related business can be made profitable by educating farmers. Seventy per cent of our population is dependent on agriculture. It is our very lifeline, in which Bhau saw the opportunity to build a modern agrobusiness. He charged up

sleepy Jalgaon with dynamic experimentation in farmers' education and progressive farming. When former agriculture minister Annasheb Shinde visited Jain's establishment, he wrote in the visitors' book, "If the central government and state administration put all their might behind Jain and a hundred other such industrialists, then our motherland will be industrialised in no time."

HIGH-TECH INTEGRATED AGRICULTURAL SHOP

The Jain group is India's unique one-stop high-tech integrated agricultural shop. The group helps the farmer to produce higher yields and better quality produce by providing genetically superior saplings, efficient water and fertilizer management systems and agronomical guidance. Jain then buys the yield and processes it at modern vegetable dehydration and fruit processing facilities. The group produces the finest quality dehydrated vegetables and aseptic fruit purees.

The group is engaged in:

- Cultivation of agricultural and horticultural products, nursery raising, agro forestry.
- Provision of agricultural services like agricultural R&D, demonstration, training and extension, turnkey agro-project consultancy and implementation, wasteland reclamation, soil conservation, and water harvesting, storage and conservation.

- Supply of agricultural inputs like micro irrigation, sprinkler irrigation systems, PVC and HDPE piping systems, tissue culture and greenhouses, water-soluble solid and liquid fertilizers, vermicompost bio-fertilizers and neem-based bio-pesticides.

All these inputs result in an increase in yield ranging from 30 to 230 per cent and a reduction in water consumption of 50 to 70 per cent.

THE HEADY BREW OF ENTREPRENEURSHIP

Jalgaon is a vibrant town with a surprisingly clean railway station (no wonder, it's maintained by the Jain group). Jalgaon's precincts are dotted with three manufacturing facilities where over 3000 people are constantly at work, despite it being the hottest place in central Maharashtra. This is an act of creation, an act of will of a visionary who, with three heart attacks behind him, still enthusiastically toils for 12 hours a day to bring prosperity to the Jain group, farmers and Jalgaon.

Bhau was born in a Marwari family, a community known for commercial acumen and hard work. His father was an agriculturist and small trader. After securing degrees in law and commerce and a coveted job as a state government officer, Bhau sought his mother's guidance. She advised him to go into business instead, since starting one's own business offered a greater challenge. Bhau heeded his mother's advice. With a meagre seed capital of Rs 7000, he took up a small kerosene and petrol pump agency,

under the name Jain Brothers. The agency grew to become the Jain Group with an annual turnover of Rs 400 crore. Bhau says he owes what he is today to his mother's farsightedness. In the initial stages, the joint family provided reliable human resources and much needed emotional comfort. His wife submerged her identity in his aspirations, giving him unqualified support, cooperation and encouragement.

Buddy Handa and Subir Bose, executives of the American oil giant Esso, had an influence in aggressive marketing, while friend Shaikh *chacha* borrowed funds from the market to help Bhau tide over his difficulties. In addition, Damle of United Western Bank, Sethia of State Bank, D R Mehta of SEBI and Justice Dharmadhikari inculcated in Bhau the qualities of mind and heart necessary to conduct business with a certain value system. Birth in a business community, a supportive joint family network, contact with company executives, and the enormous possibilities of building a purposeful business based on agriculture were potent ingredients for Bhau's entrepreneurial success.

CREATION OF BUSINESS GOODWILL

Having opted for business, it is important to build customer goodwill. I ask Bhau how he did it. He says, "When I became a franchised kerosene distributor of Esso in February 1963, an opportunity presented itself. The budget increased the price of diesel from Rs 58 to Rs 85 per barrel. The day after the budget, there was a long queue at my shop. I chose to pass on the benefit of the

pre-budget price to the customers. This laid the foundation for their goodwill at the very start of my business.” If he owed any money, to Esso or to banks, he would go on the appointed day and repay whatever he could. He would apologise for not being able to pay in full and would ask them to forgive him. The point is that he would not avoid them, or miss appointments on false pretexts. The goodwill he created by such acts rolled over to build a network of contacts of substantial significance.

In the short space of three years, Jain Brothers became Esso’s biggest diesel dealer in the Khandesh and Marathwada regions, bringing Bhau in close contact with hundreds of agriculturists and farmers. Sensing the link of diesel to the business of agriculture, Bhau redefined his focus. Instead of calling himself a diesel agent who was also selling some seeds and fertilizers, he advertised the Jain Group as suppliers of seeds, fertilizers, pesticides, PVC pipes and diesel for agriculture. The focus was enlarged and the emphasis was changed—from a mere agent of an MNC oil company to a self-made group which provided integrated inputs for agriculture. Esso went into the background and Jain pitchforked to the centre stage, in a creative crafting of a meaningful identity.

In pursuance of this widened horizon, the group made several breakthroughs. It:

- Purchased a sick dehydration unit; innovatively modified the equipment to produce refined papain instead of fruit powder; manufactured and exported ultra-refined papain from India for the first time and has been the largest exporter of this product since 1978.

- Pioneered the introduction of drip irrigation systems in India and introduced the concept of an integrated approach, bringing under one roof all the activities related to the agrobusiness.
- Established, primarily for export, one of the largest dehydration units in this part of the world to produce flakes, granules and powder of vegetables like onion, garlic, capsicum and ladies' fingers.
- Established one of the largest fruit processing plants with a rated capacity to process 100 tonnes per day, to make purees, pulps, concentrates etc.

JALGAON ON THE WORLD MAP

The Jain group's innovations are impressive. As Bhau says, "In 1963, Jalgaon had no special identity. I am proud of the fact that we have added value to so many lives and put this quaint little town on the world map. I believe this was achieved largely on account of my vision, supported by solid hard work." He continues: "Inspiring people by example is the method I followed for creating a committed and motivated team. We have received six state awards and 57 national awards for outstanding export performance, R&D achievements and entrepreneurship. To top it all, we received the Crawford Reid international award for 'significant contribution to the micro irrigation industry outside the United States'."

Bhau explains: “Micro irrigation is a scientific method of irrigation carrying desired water and nutrients directly to the root zone of the plant, drop by drop. Its advantages are early maturity, better quality and higher quantity. It is ideal for problematic soils and water, saves labour and up to 70 per cent water. It is successfully working on more than 40 crops covering over four lakh acres. Our market share in India is about 60 per cent. We export to more than 30 countries covering all five continents, with an export turnover of Rs 75 crore. We are recognized as world leaders in providing custom-made irrigation systems. Jalgaon is the first district town in rural Maharashtra, perhaps in India, to have had a company that raised Rs 100 crore in a Euro issue.” This fine performance put Jalgaon on the world map.

But then the group faltered. With such a distinguished record of achievements, how did Bhau fail? His own explanation is an exercise in perfect communication and provides a case study for students to learn how to establish understanding and empathy by presenting facts and owning responsibility.

THE SAD PATRIARCH

On November 26, 1998, Bhavarlal Jain placed a half-page advertisement in *The Economic Times* apologising to his shareholders, suppliers and creditors for his misadventure in diversification. It was probably the first time an Indian corporate had chosen this route to make a public apology for follies and bad performance.

The Economic Times
November 26, 1998

I am sad—that for the first time since our inception, we have fared badly. We ventured into unknown areas like finance, information technology and granite at the cost of our core business... I feel it is my duty to account for, to own up, to admit my misjudgments, to apologise.

I'm happy—that the greatest international recognition in the field of irrigation, the Crawford Reid memorial award, has been bestowed on me. I'm told that only 16 people have won it in the last 19 years and that I'm the only Indian and second Asian amongst them. I'm happy that though we burned our fingers venturing into unrelated areas, we didn't lose a single customer worldwide in our core business and our employees firmly stood by us, productive as ever. It has been a chastising experience from which we've emerged not unscathed, but financially disciplined, more mature, and certainly more focused.

I'm confident—that despite the hurdles, we can not only bring due recognition to this industry, but also bring about a second green revolution in this country. Because our fundamentals are rock solid. With our voracious appetite for growth and a policy of plowing back profits into our business, I believe there's a lot more we're capable of achieving. This is only the beginning. Work, hard work, continues to be an obsession with us. And hard work not only pays, but also brings honour and preserves character.

Such transparent communication reflects the sincere person that Bhau is, and aptly conveys the mixed feelings that he was going through. Bhau's confidence about the future is based on his tested fundamentals on the conduct of business and track record of performance. The Jain group went through three agonising years, but today it is almost out of the woods. If the customer is king, then dealers and distributors are kingpins. Bhau's master-stroke is his letter 'Eclipse Cleared' dated March 15, 2000 addressed to his dealers and distributors. The excerpts reproduced below show why.

ECLIPSE CLEARED

¹¹ Our company has sustained colossal losses during the past three years. Every stakeholder bore the brunt of this loss—be they customers, dealers/distributors, general as well as core promoter shareholders, creditors, banks and financial institutions, or suppliers, associates, government and society at large. The atmosphere was agog with rumours, defamation, backbiting and calumny. It was a nightmare. During this period, we felt neglected, faced ridicule, deception, indifference and at times humiliation. We had to face situations not dreamt of before. Personal property, whatever little it was including family ornaments, had to be either pledged or sold. While doing all this, there was fleeting anxiety whether or not we will get through this ordeal.

There, however, was a reservoir of self-confidence and the great assurance of worthy deeds well done. Even during the weak-

est of our moments we bore malice towards none. Solace, therefore, became the source of strength. Soul-searching compellingly revealed that sorrow and sufferings are to be taken as part of life, never mind the minutes, days, months and even the years. The journey to light through darkness is long and painful anyway. Yes, there were moments of hope, but for a greater part there were dark clouds of gloom, a plethora of problems and at times crippling blows. A few acquaintances, relatives and friends volunteered help but by and large we had to fight our own lonely battle. Rock solid and sustained support did come from our dealers/distributors and our customers, both domestic and overseas. Notwithstanding the inconveniences experienced by them, they never turned their back on us. Associates also took their turn. However, the saving grace came, though belatedly, from banks and financial institutions. Amongst the banks and FIs, State Bank of India, United Western Bank, ICICI and SICOM did go an extra mile and took a conscious decision to assist the company in every way possible. Local banks and credit societies also extended their helping hand in their own way and within their limits.

Taking into consideration the good work done by the company in the past, the bright prospects for its future and unimpeachable integrity and foresight of the promoters, all of these institutions, within the limitations of their rules and regulations, have achieved an outstanding feat never before experienced even by most of them. The well-wishers and the sympathisers alike displayed their concern, vouched for us and did whatever they could. They even put to use their friendly influence and powers of

persuasion. Similarly, the accommodation offered by some of the suppliers is unforgettable.”

“Everyone brainstormed time and again and after prolonged deliberations finally came out with a restructuring scheme which was to be a ‘New Deal’ for the company. The implementation of the revival plan began on February 28, 2000, the day on which my business career commenced 38 years ago. I was overwhelmed by the coincidence. History was created; the organization was saved. Through the arduous passage, the founder-promoters, though distressed and pained, stood their ground resolutely. Those directors and associates who were directly responsible for making this happen, and those who heroically dared the odds day in and day out, heaved a sigh of relief. Obviously, it is going to take some time to complete the formalities and for things to be the same as they were earlier. Now it is our turn to perform. The eclipse has cleared. Let us forge our way with renewed vigour, zeal and fortitude.”

Diversification Gone Haywire

What is Bhau’s diagnosis of the group’s colossal failure? He says, “Between 1991 and 1994, we diversified into unrelated areas like granite, computer hardware and software, and merchant banking. These projects were conceived based on instincts, and under the influence of the then euphoria in the economy. Businesses like information technology were found to require a high degree of technical leadership. The organization was not ready to provide it and the professionals who were relied upon did not

measure up. The granite business was acquired and expanded out of personal preference, rather than as the result of an in-depth study of the business or any market survey. The merchant banking business was headed by a professional, who was good at marketing but failed in documentation and securitisation.”

This must have affected the working capital, I probe. Yes, says Bhau. “All these investments went bad and led to a large-scale diversion of working capital funds. The interest burden increased and in due course even the core businesses like pipes and irrigation suffered for want of adequate working capital. Setting up sizeable food processing facilities with an investment portfolio of Rs 125 crore, without realizing that by its very nature food processing can take longer than envisaged to generate positive cash flows, also adversely impacted shareholder value.”

Honest if defensive, he says: “We bit off more than we could chew and diversified beyond our horizons, we tried to diversify into businesses without building an organizational base for them. This cost the company something like Rs 100 crore in a short period of three years. Most of them were not errors of judgement, but were the result of an indomitable will and spirit which said ‘we can do everything’.”

I am blunt. “Bhau, you are sugarcoating the pill. You went beyond your knitting. You did not assess your in-house core competencies. Thinking that ‘If MNCs can do it, why can’t we?’ led you into a trap. The shrewd businessman in you gave way to the idealist who courted disaster. What have you to say?”

Bhau frankly admits, “In a way, you are right. The nationalist got the better of me, the nationalist with a thirst for diversification. ‘If professionals can do, it why can’t we?’ I thought, and the innovator in me won out. I am never shy of making mistakes, let us try, whatever the cost, because the cost has never been a criterion in my life. MNCs are money-driven. *Money was not my motivation, mover, driver, or originator, I have created wealth as a consequence.*

“These three differing thoughts tore me apart—integration, diversification, professionalism. I had a craze to put an Indian organization on the international scene. I got carried away. I started 11 projects to be implemented in a period of two-and-a-half-years. I had no organization. If I don’t know, I thought, I’ll do it by hiring someone. Integration—original thought, and diversification—borrowed thought. Ideology got the better of me, so I don’t call myself a successful businessman. I will do very well as an author, philosopher, writer. I am going through terrible pain because of that.”

PROFESSIONALISATION FAILS

I ask, “But Bhau, you hired professionals, didn’t you?” He becomes pensive: “The professionals I selected were good people, but not efficient. In business, if goodness is at the cost of efficiency, you cannot survive. Some were talkers and not doers. Most of them were failures in life. *Whatever you do, you must make a mark. You must do something which nobody has done, or do some-*

thing uniquely. My selection was based on ideology. I did not behave like a professional, I behaved like a patriarch. I am now a changed man. Now when we recruit, apart from assessing the candidate's philosophy, I want to assess his thinking methods, his competence and his values. What we need today are persons to turn round the group. I want my company to be a blue chip."

Like many business patriarchs, Bhau is convinced of an urgent need to induct professionals. He is a changed man after experiencing failure. His selection criteria were not professional. To professionalise a family-run group requires a wholehearted commitment from not only the patriarch, but all family members. Issues of organization culture, image in professional circles, key results areas, authorities and the support due to outsiders require serious application. Professionalisation is an issue of synergistic match-making. That is the direction Bhau and his sons are probably moving towards.

However, the fact remains that Bhau is creative, built a meaningful agro-industrial enterprise in a town away from industrial belts, developed a purposeful group from his family members and some professionals, and showed performance despite setbacks.

SOCIAL COMMITMENT SKILLS

What skills did he use to realize his dreams and achieve productive growth when he was not a 'professional'? How did he conceive, promote and build the edifice brick by brick? Bhau details the essentials:

√ The firm belief that given an opportunity every man has an ability to rise to the occasion and produce results;

Everything becomes routine after six months. So what you really need is not technical competence beyond a limit, but thorough planning and original leadership;

Social commitment is itself a skill which we utilised. Basically society will feel that these people will be doing more good than others. It's a great technique. And if you use it genuinely, it will lead to great results. Most people forget this. In their total attachment to bottomline results, in their pursuit of creation of wealth, they neglect this particular agenda of social commitment. If we do not participate in anything happening in Jalgaon, say in a conference on ayurveda and so forth, then I am no one. I should be a part of it. I used people skills. /'

“The ‘work is life’ formula was seen in action. It had a tonic effect. With this skill, we created extraordinary work out of ordinary people.”

I have visited the Jain group's facilities in Jalgaon several times. All the plants are modern. Appropriate technology induction and skill upgradation has taken place during different growth phases. The skills he used provide a clue to his astounding success.

I have observed Bhau using social skills to mobilize action.

- Connecting: Bhau connects through his hospitality system which works with German precision. It expands his network of contacts. His staff at Mumbai and Jalgaon are ever ready

to serve you. They book tickets, arrange transport and look after you with affection.

- Bonding: In his conversations, Bhau never says 'my company'; he always says 'our company', whether he is talking to a supplier, creditor, banker, stranger or journalist. With the use of affiliative words like 'our, we, let us' he establishes a bond on the emotional level.
- Sharing: He communicates his ideology, values, beliefs, philosophy, results and actions to his employees in Marathi, the regional language. He shares his personhood, without the veneer of personality. His transparency allows him to appeal directly to his interlocutor's conscience.

Through skillful rhetoric Bhau evokes a positive response to his obsession, 'work is life'. People do work for him. He does not talk of profits, probably because 'profit' is a bad word in our country, yet he has made profits. If asked, he admits that profits are essential. But he believes that profits follow work. He also has the social skill to skirt that which is not palatable, without losing focus. Bhau is a skillful communicator; more so a pathfinder.