



“We have been able to sustain a highly engaged organization with an entrepreneurial culture that is anchored in our vision of being a family-owned but professionally led group.”

Narain Girdhar Chanrai,
CEO, Kewalram Chanrai
Group

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Narain Girdhar Chanrai

Kewalram Chanrai Group

Few family businesses can claim to be as international as the Kewalram Chanrai Group. With its roots in Sindh province, now in modern-day Pakistan, Kewalram Chanrai Group has been headquartered in Mumbai, London and now Singapore. Its journey to where the business is today has been led by the Chanrai family, which has now moved onto the sixth generation of control of the group. Family stewardship of the business has been uppermost in the success of Kewalram Chanrai Group, but so too has been an extraordinary entrepreneurial spirit from one generation to the next.

Over hundreds of years, but particularly after the partitioning of India and Pakistan, thousands upon thousands of Sindhis have left their province, forming a worldwide diaspora. Today, Sindhi communities exist all over the world, and have given rise to some impressive family business enterprises, including the Kewalram Chanrai Group (KCG).

Now based in Singapore, KCG employs more than 5,000 people and has offices in the US, Indonesia and nearly everywhere in between. KCG is involved in both manufacturing and distribution. The business started off in textiles, but is now involved in many different sectors, and it operates in many countries worldwide.

The Group shifted its headquarters from Hyderabad to Mumbai, then to London and finally to Singapore – making it one of the most international businesses in the world. “We have, of course, become very international,” says Narain Girdhar Chanrai, the CEO of KCG and a sixth-generation member of the family who started the company. “But our Indian roots are deep in the business, and they always will be.”

Those roots go back to 1860, when two brothers, Jhamatmal and Thakurdas Chanrai, started a textile shop in Hyderabad, before diversifying into handicrafts, agricultural commodities and the trading of gold. When asked to characterize the business, Narain says that it is a classic example of a “Hong” businesses – those businesses, mostly family controlled, set up in southern China, involved in trading and manufacturing a wide range of goods and services. Famous Hong have included Jardine Matheson and Li Ka-Shing’s Hutchinson Whampoa.

Nigeria has been one of KCG’s most successful markets

As with the Hong, one of the main features of KCG’s global success is the links it has built in fast-growing emerging markets. “A core strength of the Group is its ability to identify very early the key markets and then to take advantage of the business opportunities in them,” says Narain, the Group CEO of KCG, who is the winner of the EY 2013 Family Business Award of Excellence in Singapore.

KCG has been prepared to play the long game when it comes to succeeding in these markets. “While the big multinationals are willing to set up businesses in the biggest ports and the major cities, they are not going to go the last mile at the grassroots level,” says Narain. “This is our strength. We are active at the grassroots – meeting the customers daily, keeping the stock and giving credit. Multinationals are not willing to do that, but they need to partner with someone who can, like ourselves.”

One of KCG’s most successful markets has been Nigeria, since the early 20th century. Indeed, KCG’s initiatives in Nigeria should be taught at business schools as a case study of how companies can succeed in emerging markets, such as its venturing into agriculture on a commercial basis, and, even more so, how family businesses can continue to be hugely entrepreneurial, regardless of what generation they are currently managed by.

All family members are out of the operational businesses

In the late 1980s, KCG funded the start up in Nigeria of a non-oil agri-commodities group called Olam. KCG gave one of its non-family senior managers a mandate and seed capital to get things going. The investment has been a huge success. In 2013, Olam, which is listed on the Singapore Stock Exchange, had revenues of US\$16.5b. KCG holds a 20% stake in the business.

Instilling entrepreneurial spirit is the core of KCG’s corporate culture. As Narain says: “We encourage risk taking – within certain parameters, obviously. But our management team isn’t afraid to fail with new initiatives.”

Another core strength of the business is how the family has professionalized. This process has meant tough decisions affecting family involvement in management of the business along the way. Narain recalls that, for much of the 20th century, KCG had evolved from a purely family managed and controlled business to a professionally led enterprise with the family providing oversight.



KCG is involved in trading and manufacturing a wide range of goods and services

“Understandably, there was some resistance from family members to change this structure,” says Narain. “Nevertheless, in the early 1990s, for the long-term success and growth of the business, we restructured how the business is managed. In fact, we pulled all family members out from controlling the operational businesses and created an ‘apex’ board, which would provide guidance and support to the operating businesses. This is where the family sits in the oversight of the enterprise today.”

He adds: “We also needed to send a clear message to our professional managers that there was going to be a fundamental change in the way we operate: we would reward and recognize talent, and there would be no glass ceilings.”

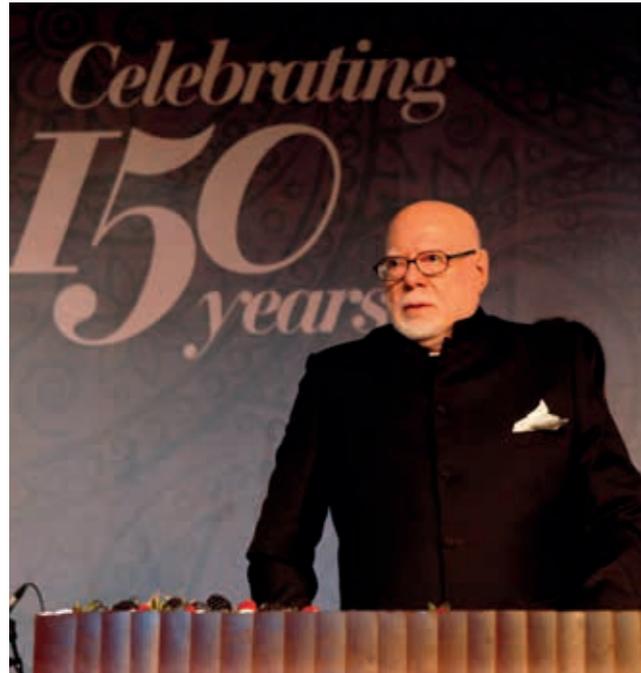
When it comes to governance and structure, family businesses often take lessons from other family businesses – and KCG is no exception. Narain acknowledges that German family businesses served as an important example when it came to creating KCG’s supervisory board. In particular, the Chanrai family looked at



Kewalram Ghanshamdas Chanrai formed the Kewalram Chanrai in 1948



Mrs. Kewalram Chanrai and her sons Murlil, Pitamber, Damodar and Girdhar (father of Narain)



Murli Kewalram Chanrai (Group Chairman) at KCG's 150 years celebration gala



Damodar Kewalram Chanrai in Nigeria



KCG is based in Singapore and employs more than 5,000 people

the governance structures of one of Germany's most successful family businesses, the Duisburg-based company Haniel.

Like Haniel, which is more than 200 years old, KCG has successfully managed the tensions between family members over succeeding generations. The move to a supervisory board structure has no doubt helped, but other factors are also at play: there is clearly a strong cultural cohesion in the Chanrai family, which is often the case among immigrant communities, where family and ethnicity form strong bonds.

Written constitution and family council

But beyond these factors, as Narain says, there is the fact that family unity makes business sense. Fifth-generation family member and group Chairman Murli Kewalram Chanrai summed this up most succinctly a number of years ago when he said: "A family that does business together and grows together, in the process, achieves a binding relationship that far supersedes all conflict." His nephew Narain says that this view is fundamental to the culture of family ownership at KCG: "No one in the family is interested in breaking up the business and going their separate ways."

Nevertheless, the family is not just relying on the wisdom of its senior members to keep the business together. The company now has a written constitution, which, among other things, makes it very difficult for the business to be broken up. A further factor helping to keep it together is the family council, which enables family members to exit the business through share sales without threatening a breakup of the business.

Succession plan has been put in place

Narain says that a succession plan has been put in place and that the next generation is carefully groomed before being given responsibility within the business. Next generation family members who show an interest in the business are sent to spend time with the head of one of the many subsidiaries. The idea is

not just to help them understand what the business does, but, "more importantly," as Narain says, "how we do it."

KCG is strongly committed to philanthropy with a percentage of the organization's profits going to philanthropic causes in all the countries in which it operates. KCG provides funding for education, health care and the environment in Singapore, India, Malaysia and Nigeria and other countries. The focus is on health care.

Narain is confident that the business will go on being family controlled for many years to come: "We have a business that is worthy of being passed on." Given how successful the business has been over six generations, many would say that that is an understatement.

KCG is well placed to benefit from the strong economic growth in emerging markets. The fact that it is also a family-owned and professionally led business, committed to long-term sustainable growth, should also ensure that it has the patience to continue its businesses in these countries even in difficult times.

Narain Girdhar Chanrai

CEO

Company name: **Kewalram Chanrai Group**

Generation(s): **5th, 6th and 7th**

Founded: **1860 in Hyderabad, India**

Industries: **Textiles, waste recycling, supply chain management**

Employees (2013): **5,000**