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**Subject Area : Business Management****HISTORY OF FAMILY BUSINESS****Shreyas Kulkarni**

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**ABSTRACT**

This research examines the historical as well as contemporary landscape of family owned businesses in India and around the world. It focuses on a select group of prominent family businesses to analyse their longevity, impact, and value contribution. The paper highlights adaptability and long-term vision for longevity of family businesses in India. This study aims to offer a deeper understanding of the role of these family businesses in India's economic development.

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**INTRODUCTION**

India's economic history is dotted with family businesses all across the map. Throughout India's socio-cultural history, the joint family system and caste-based occupations has shaped the structure of every family business. Centuries ago agriculture, trade, and commerce formed an informal system that eventually transitioned into modern industries and corporations that manufacture products and provide virtual services.

Indian family businesses emerged during the Mughal and British colonial periods. Communities who benefited the most at the time were Marwaris, Chettiars, and Parsis, who developed trade and banking systems. Many household brands like Tatas and Birlas can trace back their origins in this era. Thus, marking an important milestone for homegrown and self-manufactured goods in India's pre-independent era.<sup>1</sup>

After 1947, post-independence, India's family businesses thrived which significantly contributed to the industrialization efforts of the newly formed nation. In this period, family businesses like Reliance, Mahindra, and Godrej diversified into various sectors in order to capture market opportunities. However, until the late 1980s the government of India implemented strict rules to control the economy and economic activities. Liberalisation began in 1991, which compelled many family businesses to incorporate professional

management. This was necessary to adapt with global market and international business strategies.<sup>1</sup>

The success of modern family businesses is often measured by its ability to balance traditions and innovation. Many such businesses have adopted family constitutions and governance structures to maintain family prestige while also prioritising business growth. Mahindra & Mahindra serves as a good example for separating ownership from management in order to incorporate external expertise.<sup>1</sup>

Family businesses are the backbone of the Indian economy, contributing approximately 89% of the GDP. These businesses also generate almost 75% of employment. Besides this, they are resilient to economic crises as they engage in both domestic as well as international trade.<sup>1</sup>

**Defining Family Business**

In general, the term family business is used to suggest family ownership with influential managerial roles, where family members aim to continue family legacy for generations to come.<sup>1</sup> Academically, Handler highlights family ownership and involvement in managing the business as well as intent to transfer the responsibilities to the next generation as an essential dimension of family business.<sup>1</sup> While Chua, Chrisman, and Sharma define family business as those governed and/or managed with the intent to sustain the business across generations, influenced by the family's control and shared vision.<sup>1</sup> This research agrees with the theoretical definition offered by Chua et al. and Handler because it aligns with the researcher's perspective of businesses actively managed and owned by the current generation of the founding family with an added dimension of generational legacy.

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### Oldest Family Businesses in the World

There are several factors for business longevity. A shared sense of purpose, commitment and dedication to family legacy, embracing change, adapting to evolving markets and technologies, pursuit of excellence, and transfer of knowledge and skills from one generation to another is crucial for continued family business legacy. Following is the list of oldest family businesses in the world that are currently owned and operated by the current generation of the same family.<sup>1</sup>

| Business                | Year   | Country      | Sector               | Family              |
|-------------------------|--------|--------------|----------------------|---------------------|
| Houshi Ryokan           | 717 AD | Japan        | Hospitality          | Houshi              |
| Pontifical Bell Foundry | 1339   | Italy        | Bell Manufacturing   | Marinelli           |
| Château de Goulaine     | 1533   | France       | Winery               | Marquis de Goulaine |
| Zildjian                | 1623   | Istanbul/USA | Cymbal Manufacturing | Zildjian            |

Houshi Ryokan<sup>1</sup>(717 AD, Japan) is a traditional Japanese inn, located in Ishikawa Prefecture. It holds the title of the world's oldest continuously operated family business. The Houshi family has been welcoming guests for over 1,300 years.

Pontifical Bell Foundry<sup>2</sup> (1339, Italy) is where the Marinelli family has been casting bells for centuries. From the Vatican to the United Nations, their bells have marked significant moments in history.

Château de Goulaine<sup>3</sup> (1533, France) is a historic château, nestled amidst picturesque vineyards, that has been in the hands of the Marquis de Goulaine family for over 450 years. They continue to produce fine wines, carrying on a legacy of French tradition and elegance.

Zildjian (1623, Turkey/USA) is renowned for their cymbals. The Zildjian family has been crafting percussion instruments that complement a range of musical genres, from classical orchestras to rock bands.<sup>4</sup>

### Most Valuable Family Businesses in the World

Following is the list of most valuable family businesses in the world where the current generation of the founding family owns and operates the businesses.<sup>5</sup>

| Business                          | Year | Country | Sector                            | Family  |
|-----------------------------------|------|---------|-----------------------------------|---------|
| Wal-Mart Inc.                     | 1962 | USA     | Consumer                          | Walton  |
| Berkshire Hathaway, Inc.          | 1955 | USA     | Financial Services                | Buffett |
| Ford Motor Company                | 1919 | USA     | Advanced Manufacturing & Mobility | Ford    |
| Bayerische Motoren Werke AG (BMW) | 1916 | Germany | Advanced Manufacturing & Mobility | Quandt  |
| Koch Industries Inc.              | 1940 | USA     | Advanced Manufacturing & Mobility | Koch    |

Wal-Mart Inc.<sup>1</sup> (1962, USA) was founded by Sam Walton. Walmart has grown into a retail giant. The Walton family continues to be significantly involved in the company's strategic decisions and philanthropic activities.

Berkshire Hathaway Inc.<sup>2</sup> (1955, USA) is led by the legendary investor Warren Buffett. Buffett, along with his trusted partner

Charlie Munger, actively oversees the diverse investments, holdings and operations.

Ford Motor Company<sup>1</sup>(1919, USA) founded by Henry Ford has been instrumental in shaping the American automotive industry. While the company is publicly traded, the Ford family members still hold significant influence and serve on the board of directors.

Bayerische Motoren Werke AG (BMW)<sup>1</sup> (1916, Germany) has played a crucial role in the global automotive industry.

The Quandt family is one of the major shareholders. Family members often serve on the supervisory board and actively participate in strategic decisions.

Koch Industries Inc.<sup>1</sup> (1940, USA) is a diversified conglomerate controlled by the Koch brothers, who are known for their significant influence on American politics. They actively shape the company's business strategy and philanthropic initiatives.

### Oldest Family Businesses in India

Family businesses, often referred to as business houses or conglomerates, have played a significant role in shaping India's economy. Following are the oldest family-owned and family-managed businesses in India:

Wadia Group, which began as a ship building company, is one of the oldest conglomerates in India. It now contributes to several diversified industries, including FMCG, real estate, textiles, chemicals and food processing. Brands like Britannia, Bombay Burmah, Bombay Dyeing, NPL, Bombay Realty are owned by Wadia Group.<sup>1</sup>

Aditya Birla Group<sup>2</sup> is an Indian-origin global conglomerate in the textile, metal, cement, finance, telecom, and many more industries. Valued at 65 billion USD, Aditya Birla Group is

in the League of Fortune 500 and has a consolidated market cap of over 100 billion USD. The group employs over 187,000 employees belonging to 100 nationalities across 40 countries.

Dabur India<sup>1</sup> is the flagship business of the Burman family. It is the fourth largest FMCG company in India, with revenues of over 1.1 billion USD and a market capitalization of 4 billion

| Business           | Year | Family           | Sector                      | Founder                                      | Head                 |
|--------------------|------|------------------|-----------------------------|--|----------------------|
| Wadia Group        | 1736 | Wadia            | FMCG                        | Lovji Nusserwanjee Wadia                     | Nusli Wadia          |
| Aditya Birla Group | 1857 | Birla            | Metals & Mining             | Seth Shiv Narayan Birla                      | Kumar Mangalam Birla |
| Dabur India        | 1884 | Burman           | FMCG                        | Dr. S. K. Burman                             | Mohit Burman         |
| Godrej             | 1897 | Godrej           | FMCG                        | Ardeshir Godrej and Pirojsha Burjorji Godrej | Nisaba Godrej        |
| TVS Motor Company  | 1911 | T. V. S. Iyengar | Automobile & Auto Component | T. V. Sundram Iyengar                        | Sudarshan Venu       |

USD. It is the world's largest Ayurvedic and natural healthcare company with over 125 years of experience, and operates in hair care, oral care, healthcare, skin care, homecare and foods.

Godrej<sup>2</sup> has a diversified reach in various sectors such as real estate, consumer products, industrial engineering, appliances, furniture, security, and agricultural products. It serves over 1.1 billion consumers globally. Since July 2024, Godrej is owned, operated, and managed two distinct business groups: the Godrej Enterprises Group and the Godrej Industries Group.

TVS Motor Company<sup>3</sup> is the third largest two-wheeler manufacturing company in India with revenue of over 2.9 billion USD. It has an annual sale of more than 3 million units and an annual capacity of over 4 million vehicles.

Family businesses like this have not only survived but thrived over centuries. They have adapted to changing markets, and focused on quality, innovation and customer satisfaction.

### Most Valuable Family Businesses in India

Following are the most valuable family businesses in India.<sup>1</sup>

Reliance Industries<sup>1</sup>, led by the influential Ambani family, is a Fortune 500 company and the largest private sector corporation

| Business            | Year | Family | Sector                       | Head                  |
|---------------------|------|--------|------------------------------|-----------------------|
| Reliance Industries | 1957 | Ambani | Energy                       | Mukesh Ambani         |
| Bajaj Group         | 1926 | Bajaj  | Automobile & Auto Components | Niraj Bajaj           |
| Aditya Birla Group  | 1857 | Birla  | Metals & Mining              | Kumar Mangalam Birla  |
| JSW Steel           | 1982 | Jindal | Metals & Mining              | Sajjan Jindal         |
| HCL Technologies    | 1976 | Nadar  | Software & Services          | Roshni Nadar Malhotra |

in India. It is valued at 309 billion USD. Founded by Dhirubhai Ambani in 1957, Reliance Industries is now headed by Mukesh Ambani, the second generation. The business operates in the energy and telecom sector.

Bajaj Group<sup>1</sup> is valued around 105 billion USD and is now led by third generation. Bajaj, founded in 1926, has made significant contributions to India's automotive industry, maintaining a strong presence in the market.

Aditya Birla Group<sup>2</sup> is valued around 100 billion USD with the fourth generation at the helm. Their businesses, founded

in 1857, focus on metals and the mining industry underscore a legacy of growth and adaptability.

JSW Steel<sup>3</sup> is valued around 55 billion USD with the second generation steering its trajectory. The business, founded in 1982, primarily operates in the metals and mining industry.

HCL Technologies<sup>1</sup> is valued around 50 billion USD. Established in 1991 by Shiv Nadar, the business is led by the second generation, Roshni Nadar Malhotra. HCL Tech operates in the software and services industry, significantly impacting India's technology sector.

While the Tata Group, which was founded in 1868, is still family-owned through Tata Trust, it has a corporate structure and professional management. Therefore it does not adhere to a criteria for direct family involvement in decision-making.

Also, Adani family's Adani Enterprise, Poonawala family's Serum Institute, and Divi family's Divi's Laboratories are first generation family businesses hence they did not appear on the list despite being some of the most valuable family businesses in India. The criteria for intergenerational legacy is not fulfilled.

### CONCLUSION

The intergenerational family owned and operated businesses examined in this research have played a significant role in strengthening the world economy while also shaping India's economic growth. Strong family values, community centric activities, and adaptability have been key to their longevity and success. The businesses continue to innovate and evolve and pose a healthy global competition. Valuable insights can be gained for first generation family businesses to make a successful transition with succession planning and learning from the examples of these centuries old family businesses.

Family businesses have the potential to drive future economic growth of India.

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