

## **A BICYCLE BUILT FOR TWO: TRACING INDIA'S POST- INDEPENDENCE ECONOMIC GROWTH**

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### **ABSTRACT**

Socio-economic development in India has been inspired by the growth of family-led businesses into multinational conglomerates. This paper has sought to explore the business philosophy behind one such industry giant- 'Hero' to identify and discuss the community-centric narratives of business development in India. The history of Hero Motocorp and the Munjal family has been traced back to pre-partitioned India in an attempt to analyze the social, cultural, and political background of industry development in Punjab. A survey has been conducted to determine the scope of impact of the founding business philosophy of Hero Motocorp on its present operations, the results of which point towards a positive and direct relationship. This paper has concluded that Hero Motocorp has not only contributed significantly to economic activity and growth as well as employment generation in India by adopting groundbreaking business strategies but has been inclusive and ethical in its path to development. The operations and business decisions of the company have been compared to the diverse challenges to business, especially in the context of its merger with the Honda Group and the recent incorporation of a new Hero Motocorp. Lastly, this paper has sought to identify and examine the growth trajectories of Hero in a new business environment and narratives of sustainable development.

**Key words:** Industry, Economy, Society, public policies, Motocorp.

### **Introduction**

Business and society have historically been intertwined in India, with both these entities impacting each other in complex and dynamic ways. However, the builders of the newly independent India structured its economy along socialist lines after the success of the independence movement in 1947. Even though such left-leaning policies are usually accompanied by business-skeptic social narratives, communities in India embraced corporate investment, sometimes even more so in comparison to state-sponsored public policies (Thacker, 2014). In 1991, following an intensive foreign exchange crisis, India decided to pivot away from

previously held sacred socialist policies characterized by regulation, economic planning, and public enterprise. Over the past three decades, India has emerged as one of the biggest economies in the world. Not only has it become self-sustaining, which has protected it from financial crises such as the 2009 recession, but India has also become a manufacturing hub-attracting investment from countries across the world. Family-led conglomerates have uniquely driven economic development in India since before independence, and continue to play a dominant role in economic activity and development (Kumar, 2014). Business theorists identify India's corporate structure to be unique, by the virtue of it being centered around family-held businesses that are deeply rooted in the communities where they operate.

Hero Motocorp and its business activities since the pre-independence era represent the community-centric corporate structure that has been centric to India's socio-economic development. The company, founded and led by the Munjal family, who started business operations as bicycle traders in pre-partition Punjab, has emerged as national leaders in the automobile and bicycle industry in the twenty-first century. The company, which is the largest manufacturer of two-wheelers globally (and controls 46% of the market share in India), marks its presence in Forbes' List of the 200 Most Respected Companies in the World (Press Trust of India, 2013). However, the Munjal family started as poverty-stricken migrants in Punjab, a newly partitioned region that had become a center for chaos and violence. This deterred business activity and forced different members of the family to settle in different cities including Mumbai and Agra. However, by the 1950s the family settled back together and established their united business, in the now commercially significant city of Ludhiana. Having witnessed significant levels of slaughtering, violence between the Hindu, Muslim, and Sikh communities, the Munjal brothers incorporated a sense of community and harmony in their business activities and decisions- a philosophy that continues to be held sacred by the company's management (Munjal, 2020). The business, in its inception only produced 25 cycles in a day, today flaunts production of above 18,500 units in 24 hours, a figure that has marked their presence in the Guinness Book of World Records. They proved to be excellent businessmen, their production scheme, JIT (Just In Time), zero inventory manufacturing system introducing novel concepts and policies in Indian corporate governance including Instant payment clearance policy, avoidance of warehouses, waste reduction and management, reluctance for loans, and debts, and emphasis on perfection on shop floors, etc (Kumar, 2014). These policies have made a significant mark on the manufacturing industry in India and have caused Hero Motocorp accelerated development, making them the biggest cycle manufacturer in just 30 years since the start of operations. Over the past few decades, the company has faced many challenges and changes in the environment, including but not limited to international competition, socio-political turbulences, and recessions, and yet continues to be a dominant force in the industry. It is most important to the thousands of

employees that depend on it directly, and the millions of communities that indirectly trace their development to the philosophy of Hero Motocorp.

## **Background**

Several cities and towns in India, including Jamshedpur and Ludhiana, experienced high levels of social and economic development due to the economic activity initiated by their corporate patrons, irrespective of the presence of restrictive policies and rampant red-tapism in the government structure. Corporate growth in less-developed regions of India has also been accompanied by community development, with companies widely investing in schools, hospitals, and even public utilities in addition to conventionally employing significant populations through their direct and indirect operations. This development was the manifestation of Gandhi's theory of the trusteeship approach, which regarded companies as the trustees of communities' wealth (Thacker, 2019). Hero Motorcorp emerged as a revolutionary entity in the business community of India. The community development it contributed to in Punjab caused then chief minister Pratap Singh Kairon to urge the Union Minister of Industry, Manubhai Shah to eliminate all the restrictions on the large scale manufacture of bicycles. This move was considered to be unprecedented in many ways and proved to be a prelude to private industry-led economic development in India. The fine production quality that also distinguished products can partly be attributed to the family's close association with the local company of artisans and craftsmen, the Ramgarhias, who played a key role in perfecting bicycle products. For a few years, Hero was engaged only in the production of bicycle parts, which changed after it made strategic alliances with Regent and Dunlop to acquire rims and tires respectfully and established the first 100% produced Hero bicycles. Even though the company has diversified and acquired success in many other fields through similar alliances, bicycles continue to be the backbone of Hero's business (Barooah, 2020).

Industrialization to Punjab is neither recent nor new, with industrialization in the region being over a hundred years old, prompted by the mass migration of Kashmiri artisans to the region and the subsequent boom in the production of manufactured woolen products, some of which such as pashmina shawls made their way to the international market. Since then, the region Ludhiana has been home to several thriving industries, leading the country in the production of hosiery and bicycles. Ludhiana experienced a 'Second Wave of Industrialization' in the post-independence period, which is when family-led companies such as Hero set base in the city. Being a center for business and production has contributed to Ludhiana being more developed than other parts of Punjab (Raja, 2019). The bicycle industry developed in Ludhiana primarily due to the fall in production in other regions of undivided India due to the Second World War. The imposition of restrictions on the import of bicycles further contributed to an accelerated growth rate of production in the 1950s. Bicycles have become the means of socio-economic mobility for middle

and low-income communities across India, which creates a sustained level of demand in the market. They have even made their way to symbols of political parties and are established as a symbol of mobility and progress for the masses in India. Today Ludhiana being home to both Hero and fellow Avon, produces 50% of the bicycles produced in India, amounting to 12 million units. Research suggests that production in the future will see a further rise, due to the increase in economic activity and the push towards more sustainable lifestyles (Raja, 2019).

### **Research Methodology**

Primary research was conducted in the form of an objective survey of three top management officials in Hero Motocorp. The Questionnaire for the same has been attached in Appendix A. The verbal consent of the interviews was obtained to use their responses in this research paper. The questions sought to inquire into the impact of the founding business philosophy on the present operations of Hero Motocorp to better understand the decisions of the top management executives, especially in adversarial situations.

### **Results and Findings**

66% of respondents reported that business philosophy established by the founders of the company always drove the strategic planning of the company and its present operations, whereas 33% reported that decisions were often derived from that philosophy. Similarly, 66% of the respondents reported that the social impact of business operations was always considered in managerial decision making processes, whilst 33% reported that social impact was often factored in. All high-level managers reported to donate a part of their personal earnings to social initiatives as well, in addition to attempting to steer business operations towards socially beneficial ends. 66% respondents claimed that government regulations sometimes prevented companies from engaging in social development activities, whereas 33% claimed that they never faced that challenge. All respondents unanimously agreed upon the fact that the business philosophy of the company has not altered since its foundation.

The results of this survey clearly indicate the continuing importance of the founding philosophy of the Munjral brothers in Hero Motocorp. Government intervention into the free market is viewed skeptically, primarily because regulations restrict not just profits but also positive social outcomes of business operations. Results also indicate that successive managements have stayed true to the ethos of service and community development and that the company continues to operate along the same path as established by the founding fathers.

Name	Question	Response
Mr. Yashpal Sardana Manufacturing Head HMCL	Impact of philosophy on strategic planning	Always
	Factoring in social impact of business	Always
	Personal donations to NGOs/ social initiatives	Yes
	Government hindrance to social development	Sometimes
	Divergence from original business philosophy	No
Mr. Ashutosh Mishra GM SS & SC -SCM	Impact of philosophy on strategic planning	Always
	Factoring in social impact of business	Always
	Personal donations to NGOs/ social initiatives	Yes
	Government hindrance to social development	Sometimes
	Divergence from original business philosophy	No
Mr. Ashok Goel Sr GM (SC & VD)	Impact of philosophy on strategic planning	Often
	Factoring in social impact of business	Often
	Personal donations to NGOs/ social initiatives	Yes
	Government hindrance to social development	Never
	Divergence from original business philosophy	No

**Discussion**

Hero's guiding philosophy and community-oriented development methods have been crucial to its success over the past few decades, despite the company facing hurdles that have been reason

enough for other domestic manufacturers to shut down. During its inception, Hero had to work with a cartel of British manufacturers that dominated bicycle production in India. The Munjal family decided to learn from and work with them, forming partnerships with tube manufacturers like Dunlop despite the presence of socio-cultural barriers in business. The bicycle design itself was reimagined and perfected- with there being lesser chances of breakages and cracks at the cost of high levels of personal investment. The Munjals turned to community-specific artisans and craftsmen to perfect their design when they faced rigidity and unfairness throughout the supply chain in the initial days. The company established itself as giants in the industry through the end of the Indo-Pakistan war in the 1960s and established assembly and raw material production units across Ludhiana. Hero conceptualized and implemented the now-famous zero inventory manufacturing system that predicted and satisfied consumer demand efficiently.

Punjab, however, soon emerged as one of the most destabilized regions in the country, with insurgents being in active conflict with the government. In response to a series of controversial military operations, the then Prime Minister of the country- Indira Gandhi was assassinated by insurgent groups that prompted communal riots across the country. Even though they had a chance to, the Munjal Family decided against abandoning Punjab- instead of focusing on diversifying into the production of 2 wheeler mopeds. Even though they had become the largest manufacturer of bicycles in India, they needed technical expertise to enter the automobile sector. After failed negotiations with French manufacturer Pigeot, Hero hit another milestone by collaborating with an automobile company from Japan- the Honda Group. They independently produced the first indigenously moped in India- the 'Hero Majestic'. Another turning point came when he established a joint venture with the Honda Group and incorporated 'Hero Honda Motors Ltd', which rolled it's their first motorcycle, 'CD100' in the year 1985. Hero also started producing 1 million cycles annually and entered the Guinness Book of World Records in 1986 for producing 19,000 bicycles every day (Punj, 2017).

The Munjal family faced several hardships in their journey to industry dominance. India was frequently engaged in dealing with internal and external aggression between 1960 and 1990 which contributed to socio-political disturbances and an unsafe business environment. The joint venture with Honda also left the company vulnerable initially since it was accompanied by a poor exchange rate and an impending foreign exchange crisis. The Munjal family started to lose money on each sale of a Hero Honda motorcycle, which had started to become popular amongst the growing middle class of India. These external problems were accompanied by losses within the family, with the death of Dayanand Munjal in 1968 and Raman Kant Munjal in 1991. Despite these losses, the business philosophy of the Munjal Brothers was preserved by those who stepped up to fill the vacuum in leadership. Through the turn of the decade, India shifted towards being a free market economy and significantly opened up international business opportunities- a move

that proved to be beneficial to joint ventures such as the Hero Honda Group. The 1990s proved to be a prosperous era for the family and the company in which it released Hero Honda Finlease to finance bikes for their customers through a model that has become widely popular in India. Their production efficiency and the economy was remarkable, which caused Hero Honda Splendor to emerge as the most widely sold motorcycle in the world in 1999. The company expanded its presence in the bicycle and two-wheeler automobile market over the next few years, crossing the milestone of 100 million bicycles and 12 million bikes by 2009, and producing widely popular and innovative vehicles such as the Hero Honda Activa (F.E. Bureau, 2012). The biggest pivot in the history of the company, however, came in 2011 where it decided to walk out of the joint venture with Honda (which had, in many ways framed the identity of the company in the public eye), and rebrand itself as the Hero Motocorp (ENS Economic Bureau, 2010). Presently, the company stands as the biggest in its industry across the world, with an output of 7.8 million motorcycles in 2019 (Yadav, 2020).

The philosophy of the Munjal Family has been tried and tested, as the company has stood strong through several adverse situations since its inception. The company, through its official documents, continues to hold the same business philosophy that surrounds relationships, ethics, and responsibility sacred (Hero Motocorp, 2018). Even though there have been significant changes in the corporate structure of the company, including complexities induced by the establishing and breaking away of the joint venture with the Honda Group, more than 24 members of the Munjal Family continue to lead various divisions of the group and steer it in the same direction of community-oriented growth and development. The company sponsors all domestic football leagues in India and has been instrumental in putting the national team and Indian football on the world map (Malvania, 2020).

## **Conclusion**

The coming years present a unique opportunity to Hero and the Munjal Family. The discourse around sustainability is on the rise, which is expected to push the demand for bicycles. Moreover given that a majority of the Indian population belongs to low-income and middle-income families, bicycles continue to be a popular method of transportation in urban and rural areas alike. The global popularity of e-cycles is expected to be reflected in the Indian market, pushing production in cities like Ludhiana even further. The Munjal Family continues to conduct business in a sustainable, inclusive, and ethical manner- ideals that have been followed by different generations of the family through the rich history of Hero Motocorp. This paper has analyzed the different and diverse challenges faced by the company and has identified the business philosophy of the founders as the basis of its community-centric solutions that have resulted in further corporate expansion and consolidation. It continues to serve as an important economic entity in the regions surrounding Ludhiana and employs almost 100,000 workers

across India. The company now stands tall at the international level and investors of the newly-integrated company include Bain Capital, Warburg Pincus, and the Carlyle Group. Not only has it introduced itself to the Latin American, African, and West Asian markets through exports, it has also entered into a joint venture with the Natural-Niloy Group to produce bicycles in Bangladesh. Its equity investments include a 32.31% stake in Ather Energy, a startup company that manufactures electric scooters which is an indication of the company's intentions to pivot to more sustainable products and operations. In India, it owns manufacturing plants in several states- most importantly Punjab and Rajasthan, and has a service network consisting of over 6,000 dealerships and service points across India. Through its joint ventures and associate companies, it has established a reliable and efficient supply chain (Gupta, 2011). It is safe to assume that Hero Motocorp, under the leadership of the Munjal family will continue to grow in a more sustainable method, which is in-line with its ethos of inclusivity and community-centric development.

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