

# Dhirubhai ambani an indian entrepreneur history essay



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Dhirubhai Ambani, was an Indian Entrepreneur who reformed the thought process of doing business in India. He inspired people to beat the system rather than be in the system if one's dreams asked for it. Dhirubhai believed said " Only when you dream it you can do it" and to " Think big, think fast, think ahead. Ideas are no one's monopoly".

Dhirubhai Ambani was born in Chorwad district of Gujarat in India, on December 28, 1932. He died in Bombay on July 6, 2002. (McDonald 1999, p12) He is survived by his two sons, two daughters and wife. His two sons have been involved in the running of the company since Dhirubhai suffered a stroke in 1986. (McDonald 1999, p12)

Dhirubhai Ambani was a dynamic entrepreneur who started with an investment of Rs. 15000 (300 USD) as an initial investment and turned it around to create a multibillion dollar Reliance Group of Industries with interests in textiles, petrochemicals, energy and telecommunications. (Dhirubhai Ambani - End of an era, 2009)

He always believed in ' actions speak louder than words' and during his life he responded to all sorts of sniping criticism with silence (Krishnamurthy, 2006). He believed that if one had the determination and willingness to work, one could do wonders in business as long as the integrity and honesty was maintained. He never cared for what the world or society had to say so long as he was convinced that the idea would work.

Capitalising on opportunities based on new ideas and taking advantage of it before others can is something he strongly propounded. One such occasion was when he completed high school and went to Aden to work.

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According to McDonald (1999, p16) The treasury of the Arabian Kingdom of Yemen noticed something different happening to their country's currency. A unit of their money, solid silver coin called Rial, was disappearing from circulation. Enquiries were made and it was found that a young boy named Dhirubhai, had ordered for as many Rials as were available. Ambani observed that the value of the Rial's silver content was higher than its face value. So he began to buy Rials, melted them down, and sold them to dealers in UK. The profit margins were small but then he made money. " I don't believe in not taking opportunities." - Dhirubhai said.

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## **Introduction:**

A petty trader's son, who was from a remote village in rural Gujarat, Dhirajlal Hirachand Ambani popularly known as Dhirubhai was born in Chorwad district of Gujarat, India on December 28, 1932 (Dhirubhai Ambani - End of an era, 2009). He was a mature and intelligent boy. He would prefer to work rather than attend school lessons. Once when his mother asked him if would

help his father earn money he replied to her saying “ Why do you keep screaming for money? I will make heaps of money one day”.

Dhirubhai had sharp business acumen and was an adventurous person. But more than this in-born trait, there were three characteristics that set Dhirubhai apart in the conservative world of Indian business.

First, his exceptional risk-taking potential that was far greater than his other business competitors. He was a born risk-taker and thought about taking managed risks. It is his risk-taking capacity that aided him when he ventured into textile manufacturing within a year of buying out his original partner in the yarn business.

Second was his understanding that business is nothing but the job of networking with people and considered it as web of relationships and obligations.

Thirdly was his proactive nature which gave him a competitive edge over his competitors. He always had a ready measure to react to the Government policy unlike his contemporaries His capacity to “ manage the environment” was responsible for the growth and development of Dhirubhai and his organisation.

Dhirubhai grew up to be the founder of Reliance group of industries which today is multibillion dollar company and was the first Indian company to make it to the Fortune 500 list of the world’s largest corporations and was listed by Forbes as the 138th richest person in the world in 2002 (The World’s Richest People, 2002).

Dhirubhai relied on networking and building relationships and this is why he managed to motivate thousands of people to invest in the stocks of reliance at a time when he needed money to expand. In addition to that he was a simple man who made simple ideas into big business ventures. His named his first textile brand " VIMAL" which was the name of his brother's son and converted it into a household name for clothes (Dhirubhai Ambani - End of an era, 2009).

### **Company Information:**

Dhirubhai Ambani started his first company Reliance Commercial Corporation in 1958 as a trading and export house. The company was started with an initial investment of Rs. 15000 (300USD). They had rented an official space of about a room of 350 square feet in Narsinathan Street in Mumbai, India (Book review of Dhirubhai Ambani, 2009). It had three chairs; one table and a telephone (McDonald, 1999, p23). The business traded into spices and imported cotton fabrics.

In 1966 Dhirubhai started his spinning mill in Naroda, Ahmedabad. It started as very small venture with just 20 people who did not have any formal training in manufacturing. The steady growth with dedicated efforts resulted in a record sales of 9 million rupees in 1967 yielding a profit of 1. 3 million rupees which was ploughed back into the company (Macdonald, 1999). After a decade of manufacturing, Reliance had a turnover of Rs. 680 million and profits of over 100 million (McDonald, 1999, p28).

Today Reliance Group of Industries has assets valuing over 60 billion dollars with annual profits of over 45 billion dollars (Thakurta, 2003). It has now

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actively expanded into exploration and production of oil and gas, to the manufacture of petroleum products, polyester products, polyester intermediates, plastics, polymer intermediates, chemicals, synthetic textiles, fabrics, communication, energy, infrastructure entertainment, media and telecommunication (Tripathi, 2004). After the death of Dhirubhai in 2002, the company is being effectively managed by his two sons, Mukesh and Anil Ambani.

Source: Reliance group, viewed on 13th August 2010

## **Entrepreneurial process:**

### **Identifying opportunity:**

In 1958 Dhirubhai along with his partner Chambaklal Damani started with a small office in Mumbai with an initial capital of Rs. 15000 i. e. 300USD (Thakurta, 2003).). His company Reliance Commercial Corporation dealt in the trade and export of spices and fabrics. His constant risk taking habits was damaging the partnership relations and in 1965 Chambaklal Damani decided to part ways as he was not confident of Dhirubhai's risk taking nature (McDonald, 1999 p26).

### **Developing the concept:**

After having traded in the fabric business for years Dhirubhai sensed an opportunity in the textile industry to have high disposable incomes which encouraged Indians to buy better and expensive clothes, Ambani sought and received the necessary clearances to manufacture cloth from polyester fibre (Tripathi, 2004, p 418). Within a year of splitting with his partner, Dhirubhai decided to take Reliance into manufacturing and backwardly integrate his

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business in order to exercise advantage of self production rather and imported goods (Krishnamurthy, 2006). For this he knew he had to invest in spinning mills for production of yarns.

### **Determine the required resources:**

Dhirubhai knew he wanted people who would be trustworthy and hardworking. He had to recruit and so he spread the word around that he was looking for all his friends who worked with him during the early ages of his employment in Besse & Company in Aden (McDonald, 1999, p28). Most of his networking came useful and he managed to employ as much as 20 people for his factory. All these were his friends and people he knew would help him grow.

He spent the money he had made from his trading business and had a simple factory built in Gujarat in 1966 (Book review of Dhirubhai Ambani, 2009). He installed four knitting machines, and appointed his brother as plant manager.

### **Acquire the necessary resources:**

Dhirubhai had his product, place and people ready. He had acquired the land and hired the people on trust basis. He treated them like family and so there was a very cordial relationship that existed. Dhirubhai took extensive loans amounting to 1.5 million rupees from banks to start of his factory and buy the machines and yarns he required (McDonald, 1999, p32). He impressed the banks with the quality of machines he ordered and the market knowledge he possessed.

## **Implement and manage**

First year of the business was very hard. The fabric manufactured was not selling in the markets. Dhirubhai was determined to sell. All the people used to work at mill from morning 7 to 3 in the afternoon and then in the evening tour the local markets, trying to convince the shopkeepers to stock the fabrics of Reliance (Thakurta, 2003). All the money they made at the end of first year was ploughed back into the business for expansion. End of second year resulted in substantial gains through which Dhirubhai was able to pay back some of his loans.

Dhirubhai launched his own brand 'VIMAL' for the fabrics he manufactured and soon through the efforts of extensive advertising and promotion VIMAL had become a household name (Dhirubhai Ambani - End of an era, 2009).

## **Harvest the Venture:**

With his vision and determination Dhirubhai was able to harvest his venture into a successful business. By 1977 Dhirubhai had set up a huge manufacturing plant and had further expansion in mind. In October that year he decided to raise funds not from banks and financial institutions but from the public. Reliance launched its IPO and was listed at the Bombay Stock exchange in 1978 (McDonald, 1999, p 41). Dhirubhai brought the equity cult in the country. Dhirubhai appealed to the local people that each shareholder would grow as Reliance grew and people had the faith in him (Dhirubhai Ambani: in memoriam, 2003). Between 1980-1985 the number of shareholders increased from one million to about four million most of which were the middle class people (Tripathi, 2004, p 420). With this investment he



set up another plant to manufacture polyester filament yarn and was producing more than 50000 tonnes from both the plants.

### **Expanding to new horizons:**

Once Dhirubhai visited his village and realised he was not able make phone calls as there was no network. He asked his officers to arrange for a local connection and was informed that the villagers could not afford mobiles. He immediately thought of a new idea of venturing into to telecom sector. He had a vision that the poorest person in the country should be able to afford a mobile phone. At a time when India was only exposed to GSM connections, Dhirubhai conceived the idea of CDMA connections which would not have the handset flexibility but definitely be cheap and easy to afford for the lower income group (Tripathi, 2004, p 421). Reliance Telecommunication created a spur in the Indian telecom industry. While major players like Vodafone and Airtel were enhancing their infrastructure by creating towers for network, Dhirubhai went the other way of establishing wires and cables in the ground in order to provide cheaper call rates. By having established the cable wires Reliance was able to offer tariff plans that offered free calling within Reliance networks. This really gave his competitors a run for their money as people started moving from their existing connections to Reliance for the cheaper rates it was offering. In less than three years the Indian population of people having mobiles expanded to over 40% (Tripathi, 2004, p 421). And a majority of this were the lower middle class people who now had access to cell phones and connectivity.

Dhirubhai subsequently diversified into chemicals, gas, petrochemicals, plastics, power and financial services.

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**Major company issues with recommendation:**

Dhirubhai was often held guilty of having carried out unethical measures in order to influence political parties to bring in reforms that would benefit his business, however his thought was that anything which assisted his business to grow should be looked as progressive efforts.

His business was accused of having manipulated the stock prices at a time when his business shares were being short sold in the market by a group of brokers. Little did they know about Dhirubhai's ability to fight back who managed to procure most of the shares these brokers sold and demanded delivery of them which showed the true picture of the ugly game that was being tried to be played on his company (Biharkar, 2006).

His competition with the Wadias, who were quite established at a time when Dhirubhai was just growing, has also been a critical incident in his entrepreneurship process. Dhirubhai requested the Bombay Dyeing group to buy yarns from him and work together, to which the Wadias refused (McDonald, 1999, p58). This instigated Dhirubhai to become even bigger so that the Wadias would one day come to apply as suppliers to him. There was no looking back after that. Dhirubhai put his heart and soul into his work and used all the influences he had to help him grow and become one of the largest manufacturers of yarns.

The paralysis attack that he suffered in 1986 before his death in 2002 was a major setback to his business and it is then that both his sons came into management and running of the organisation (Thakurta, 2003).

**Conclusion:**

A rag to riches is the term that truly defines Dhirubhai's life story. From an initial investment of a mere Rs. 15000 in 1958 to start a trading house, followed by the setting up of his own manufacturing facility in Gujarat in 1966, Ambani has managed to build up a synthetic yarn, textiles and petrochemicals empire that is today the third largest private sector corporation in India.

His people trusted Dhirubhai to have the Midas touch and knew he could convert anything to profitable venture.

To all aspiring small-time entrepreneurs, he has become a benchmark they aim at. With each succeeding day, the legend to Dhirubhai Ambani continues to gather popularity.

One of the main reasons for his success was inspiration along with hard work and enthusiasm and spirit of 'can do and will do'. He believed in dreaming but dreaming with eyes open.

dhirubhai picture. jpg

Source: Reliance group of Industries, viewed on 14 August 2010