

GRUPE BASAN: GROWING IN A SEA OF DOUBT¹

Karim, the owner and CEO of Groupe Basan², ended an intense day of work one Friday of February 2019. Foremost in his mind was the previous year's results, which he had received a few days earlier (find the recently closed consolidated annual financials in Exhibit 2). He was satisfied with the company's performance, especially with some changes that made him think this year would be the first in a long series of growth, structuring, and consolidation for Groupe Basan. Many projects had been set in motion, and there was no doubt that they were on the right track. Yes, he felt that 2019 would be a turning point for the group...

Now that he had managed to provide continuity to the group, Karim did not want to stop. He wanted to keep growing all the company's divisions, advance in the structuring of his team, increase professionalism, and optimize logistics with a new logistical hub, which would be the most substantial investment in the history of the group.

Madagascar was a land of opportunity, but not without risks. Social and political instability, insecurity, volatility of the currency and the need to recruit foreign specialists and managers made everything a little more complicated. However, these difficulties also spurred him to strive and contribute to the development of his motherland and improve the living conditions of his fellow countrymen. The group would realize a project he was passionate about: *to become a responsible and engaged player in the development of Madagascar*

¹ Case of the Research Division of San Telmo School, Spain. Prepared by Professor Isauro López Polo and teaching assistant Rocío Reina Paniagua, of San Telmo Business School to be used as a basis for class discussion only not to illustrate any judgment on the effective or ineffective management of a specific situation.

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² To learn more about the group, click here: <http://www.basan.mg/>

THE HISTORY OF A FAMILY; THE HISTORY OF GROUPE BASAN

The Barday family³, which has always been involved in trade, was not from Madagascar originally. The Barday had come from India in 1880, from a region called Gujarat, north of Bombay. People left Gujarat because the area was poor and deserted. The first Barday to go to Madagascar had been Jiva, Karim's great-great-grandfather. Exhibit 1 shows the family tree.

His family sent him to Madagascar to explore what potential business could be done in that country. On that trip, he discovered an exciting and beautiful place that had many opportunities to offer. Jina Barday, Karim's great-grandfather, was the first one to settle in Madagascar. He arrived alone but later his wife came too.

Together with one of his brothers, Jina set up a business to import second-hand textiles and products from India and Europe, and an export business to sell spices and Madagascar wood to other countries. The company transported the products in seven Persian ships. Eventually, Jina returned to his native India and left the rest of the family in Madagascar. His children grew the business and started to diversify going into manufacturing. Anil, Karim's father, explained:

"My father was a real industrialist. He had studied Chemistry and said to his brothers: 'let's make oil-rich soaps in Mahajanga⁴ (Madagascar).' They did so, and the three brothers prospered and made money in the soap business."

However, with money came trouble, and in 1947 the brothers decided to split. Haidaraly Barday, Karim's grandfather, moved to Antananarivo, the capital city, and his two brothers remained partners and took over the soap manufacturing business in Mahajanga.

The foundation of the company

This separation gave birth to Groupe Basan in 1947. Anil explained: *"my father found himself without a factory, but he possessed the know-how of the textile business and of the import of second-hand clothes that sold so well in Madagascar."*

Asgar, Anil's older brother, began to work with his father in the textile import business. Haidaraly, on the other hand, wanted to own a factory and manufacture things with an added value. He bought a small tannery from a failed French company.

At that time, Anil had just finished his studies in France. His father said to him: *"go and receive training in tanning at the school in Lyon,"* and so he did. Anil pointed out:

³ Find a family tree in exhibit 1

⁴ Mahajanga was then the second-largest city in Madagascar, home to a large Indian community that represented 20% of the country's total foreign population.

"It was a time when children did as our parents told us, so I trained as a tanner. When I returned to Madagascar, again my father says to me: 'now you will run the tannery and make it thrive;' and that is what I tried to do."

Back then, there were more cows than people in Madagascar. Leather hides were abundant. Haidaraly and Anil were in charge of the tannery while Asgar was developing the textile business and looking for new opportunities.

Madagascar became independent in 1960. There was much to be done in developing the industry. Haidaraly traveled a lot, often to Kenya, where he had friends. On his return, he used to say that Madagascar would follow in the steps of Kenya and progress as that country had. In Kenya, he saw a biscuit factory and said, *"We are going to make biscuits in Madagascar."* Asgar and his brother Anil thought this was not a good idea; the French were not as keen on biscuits as the English, who used to have them with their tea. But Haidaraly said, *"we will make the Malagasy people eat biscuits."*

The president of the republic went to the inauguration of the factory in 1964 and proclaimed: *"I would like to see more industries like this in Madagascar. If we had a dozen of them, Madagascar would develop."* There were incentives to the industry at that time in Madagascar; for example, raw materials and manufacturing equipment were exempt from paying taxes. JB, the dedicated subsidiary, continued its development and diversified its products lines into wafers, confectionary and chocolates.

The times were prosperous and the family also decided to invest in a soft drink/beer business in collaboration with the Dutch brand Amstel and to manufacture shoes and sandals out of their leather production. Banks trusted and supported Groupe Basan.

The group gradually became more and more industrial. Years later, rumors circulated about a national uprising, and Haidaraly thought it was best to keep a low profile. Considering that the brewery was the most visible business and required the higher cash flow, he decided to sell it to the competition.

Years of turmoil in Madagascar

In mid 70s, shortly after that came the social revolution that brought military officer Ratsiraka to power. With him, almost all companies except for small businesses and a few exceptions were nationalized. The brewery, which by then was in the hands of the competition, was also nationalized, as were banks, diversified colonial era French companies, coffee plantations, textile companies, etc. Anil recalled:

"Ratsiraka⁵ used to say that everything should be nationalized except for hairdressers. Our companies were saved, but we could only export to sister

⁵ Didier Ignace Ratsiraka (born November 4th 1936) is a Malagasy politician and naval officer who was president of Madagascar between 1975 and 1993 and between 1997 and 2002. Ratsiraka, who came to power in 1975 through a coup, is known as "Deba", which means "Big Man" in Malagasy.