

## The 5Gs of Family Business

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### About the Book

The 5Gs of Family Business is a 205 paged book on family business. The book thoroughly describes the practices that business families need to embrace to achieve long-term family enterprise success and sustainability. The book is published by SAGE publications bearing ISBN 978-93-528-0865-6, copy right Walter Vieira and Mita Dixit, 2019.

The foreword for the book is written by Philip Kotler, S C Johnson Distinguished Professor of International Marketing, Kellogg School of management, Northwestern University, Chicago, Illinois.

### About the Authors

Walter Vieri is a well-known author and management consultant. He is also the former chairman of International Council of Management Consulting Institutes. He has worked with many multinationals and Indian corporates for a span of over 40 years. He is the recipient of the Lifetime Achievement Award for Consulting by IMC India in 2005 and for Marketing by Indys India in 2009.

**Dr. Mita Dixit** is a family business advisor, researcher, educator and co-founder of Equations Advisors Pvt. Ltd., a family business advisory firm in Mumbai. She is a certified management consultant (CMC), a corporate director and a visiting faculty at renowned management institutes offering family business programmes. The media often takes her views on contemporary issues in family businesses.

### Overview of the Book

5G denotes high speed and more efficient fifth generation of wireless technology. Family businesses need efficiency and high speed today to survive, succeed and sustain in a volatile, uncertain, complex and ambiguous (VUCA) world. The book provides a framework that provides tools and approaches for building long lasting system of a family business.

5Gs captures the essence of the five core elements needed to start, manage and perpetuate a family business successfully. The 5Gs are Genesis, Growth, Gen-Next, Governance and Giving Back. This book is an amalgamation of management theories and practices, and anecdotes and stories encompassing five dimensions essential for the success and sustainability of any family business: Genesis, Growth, Gen-next, Governance and Giving back.

### To Whom

The 5Gs of Family Business is an inspiring book for families owning business, entrepreneurs, inheritors, promoters and family members with an urge to grow at 5G speed in this VUCA world. Family business founders and successors must increase their cumulative knowledge and deepen their understanding of the complexities of managing a family business to enable their progress from SMEs to large enterprises, and for large enterprises to stay relevant and benefit not just the family but also the community and nation.

### Review of the Book

The 5Gs of Family Business is a practical guide book for family business leaders aspiring for the continued prosperity and growth of their enterprise across generations. The book provides examples of successful family businesses, revealing the importance of five factors: Genesis, Growth, Gen-next, Governance and Giving back to ensure long-term family and business success. The insightful stories and the nuggets of wisdom shared by prominent family business

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owners, this book is likely to inspire not only current and future leaders of family firms but also professionals serving these enterprises. The book comprises of five chapters earmarked for each G of 5Gs.

### **Genesis: The Origin – Look Back to Look Forward**

Genesis is the first G of 5G success framework. Genesis is the bedrock of core values, ethos and entrepreneurship in family business. It symbolizes learning from the past for progress in the future. Family business resembles the genetic concept. The culture of family business evolves from values, ethos and core beliefs of the founder and the founding generation. Values are the source codes embedded in the culture of the organization. Family businesses despite VUCA forces will not be outdated if their genesis, the foundation is strong. But there is a danger that the spirit of entrepreneurship may get outdated if entrepreneurs and innovators stop learning from the past to anticipate the future. Many successful entrepreneurs combine foresight to shape the future with insight and learn from hindsight.

### **Growth: The Never Ending Journey**

Growth is the second G of 5G success framework. Growth is not a choice, it is obligatory, being a crucial element of the 5G success framework for family businesses. The growth of a family business depends on how the family has learned from past experiences, how the organization has handled environmental jolts, how they have created the culture and encouraged innovation in succeeding generations, and how they have ensured that the money and power do not spoil the progeny. The Growth of family business is ensured by nurturing passion and professionalism.

Researchers Leenders and Waarts (2003) studies competitiveness and performance management of different types of family businesses. They made a distinction between a company's family orientation and business orientation. The companies with strong family as well as business orientation are the ones that show a strong performance drive and also harmonious family relationship and are called as Family Money Machine. The companies with high business orientation compared to family orientation are called House of Business. The companies having strong family orientation compared to business orientation are called Family Life tradition. Family running businesses with low business orientation and family orientation are called Hobby Salon.

### **Gen-Next: The Relay Race?**

Gen-next is the third G of the 5G success framework. Next generation engagement and passing on the legacy is a vital element of the 5G success framework for family businesses. The founders can groom their children and can create a culture of pride for the business among family members. They can also mentor next generation and prepare them gradually take on the mantle, and can slip out with a hope that next generation will do much better than they did. A successor groomed from a young age would be more involved and passionate about the business than a successor joining the business as a career option. There are three keys for an effective succession planning for business families aspiring to handover the baton to the next generation. They are: start early, capacity building and align family and business interest.

### **Governance: Enhancing Value**

Governance is the fourth G of the 5G success framework. Governance is a critical element for the longevity and success of family businesses. It ensures that family values and business goals are synchronized. When governance is the code of conduct for shareholder families, not only do the customers and employees get benefited but also the other stakeholders and society at large. Such family businesses build their legacies for generations. Governance is the key to build and sustain a robust and respectable ownership model for families.

Tagiuri and Davis (1996) developed a three-circle model of family business three independent yet overlapping systems: Ownership system, Family System and Business system, which create seven distinct sectors. Any individual in a family business can be placed in one of the seven sectors. A well designed governance mechanism ensures that individuals in these seven sectors interact and support each other to keep family business effective and productive. Family constitution is a mechanism to develop good governance practices in business owning families. Family constitution is a document that addresses policies, practices and procedures. It is a way to connect and infuse the values of the family into how the business is operated.

## Giving Back: To Move Forward

Giving back is the fifth G of the 5G success framework. Giving back as a purpose for family businesses has several rewards. It can build the respect and reputation of the family in its community and business in its segment. The purpose gives clarity and direction to employees and boosts their morale. Trust and respect are the outcomes when the business has a purpose, a sense of giving back to the society. According to the Companies Act, 2013, corporates of certain size and constitution have to mandatorily get engaged in enlisted projects and programmes related to social welfare and improvement. The concept of CSR assumes significance as it permits companies to conduct philanthropic activities in a planned, structures and strategic manner by setting up CSR divisions and foundations. A family foundation is established to meet specific philanthropic goals with the hope that their legacy of charity will be carried forward by future generations.

## Key Takeaways from the Book

- Family business will continue to be the bedrock of economic activity in every nation of the world. India's family business domain continues to be the biggest contributor to GDP, the biggest segment of international trade, the biggest employer, and with largest number of units, the biggest asset creator.
- Family business has the advantages of greater commitment and of continuity, which can be seldom replicated in a non-family business. The successful family business have been able to master and manage five pivotal variables: control, careers, capital, conflict and culture.
- Family business will be the foundation of the economic pyramid that we need to build in India and also in different parts of the globe.
- The 5Gs are Genesis, Growth, Gen-Next, Governance and Giving Back, which capture the essence of the five core elements needed to start, manage and perpetuate a family business successfully.
- Genesis is the first G of the 5G success framework for family business supported by the other four Gs: Growth, Gen-next, Governance and Giving back.

