

## The Ten Commandments for Family Business

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### About the Book

"The 10 Commandments for Family Business" is a 187 paged book with a perspective on family businesses and entrepreneurship in the Indian context. This book is published by SAGE, ISBN: 978-93-515-0138-1 (HB), Copyright @ Kavil Ramachandran, 2015. The book was first published in the year 2015 and now in its third printing.

The forward for this book is written by John L. Ward, Clinical Professor of Family Enterprise at Kellogg School of Management, Illinois, USA

### About the Author

Kavil Ramachandran (Ram) is the Thomas Schmidheiny Chair Professor of Family Business and Wealth Management at the Indian School of Business (ISB), Hyderabad. Prior to joining ISB in 2001, he was a faculty of Strategy and Entrepreneurship at the Indian Institute of Management, Ahmedabad for 15 years. He has a PhD from the Cranfield University, UK, in entrepreneurship.

Ram is an active researcher, teacher, and consultant on family business governance, professionalization, succession management, business strategy and entrepreneurship. He is a frequent speaker to communities of family businesses in India and abroad, and writes for popular media regularly. Ram has been a pioneer academic entrepreneur, propagating the message of strengthening family business in India and outside.

### Overview of the Book

Family businesses are vital and supportive environments for entrepreneurial behaviour. Some of the world's largest businesses are family businesses. Ram are number of questions specific to family businesses. In this book Ram has addressed and discussed these questions: What is unique about family business? Why do some survive and grow across generations while others do not? Why do families fight over businesses and vice versa? Are the lessons and insights different from those applicable to other forms of businesses? What are the implications of multiple variables of family and business constantly influencing one another while undergoing changes in themselves over a period of time?

The purpose of this book is to discuss all the critical challenges family businesses face and understand the phenomenon of family business better. In this book Ram brings new thinking and distinctive perspective to the domain of family business. Ram brings a lifetime of perspective on family business and entrepreneurship in the Indian context. He emphasizes mainly on two points: business capitalism and family socialism, and compassion and competitiveness. One value that permeates in every chapter of this book is trust.

### To Whom

The 10 Commandments for Family Business is for business families, family business advisors, educators and students interested in learning about Indian family business. They can learn unique paradoxes, challenges and dilemmas of enterprising Indian families and how the most progressive Indian families are handling them, while making global gains.

In Ram's own words, the 10 Commandments will help families in churn to start the process of building sound mechanisms, without waiting for a doctor to be available.

### Review of the Book

The 10 Commandments for Family Business is a comprehensive and well laid out tome that has been researched well answers written lucidly. Drawing up his vast reservoirs of teaching, research, and consulting experience. The book discusses a select set of principles and guidelines that are relevant to family businesses across the globe. They are called as 10 Commandments and are like 10 rare jewels of family treasure that will help families perpetuate their businesses across generations. He has focused in this book on the most important 10 building blocks of successful family businesses.

This book begins with a chapter on **Introduction**, which discusses on Paradoxes making family business unique. The paradox of the family business is explained with the help of the life cycle theory. It explains the complexities due to coexistence of multiple stakeholders such as: family, owners and management in the family. This chapter explains three circle model in which there are seven potential positions that intersect and overlap and make family business more complex. The chapter also explains amoebic model of family business due to family break up. The chapter explores, probes, and seeks to resolve the 5 Ds (dilemmas, deviations, differences, disputes, and destructions) that most family businesses across the globe face. The chapter also provides a case let of a brief description of the history and core building blocks of sustainability of the five generation old Murugappa group.

### Commandment I: To Communicate and Build Trust

Most family business suffer from the effects of poor communication. In this chapter examples are given on the effect of poor communication on family and business. This chapter explains the need of effective and quality communication among family members. Advice is given to take the help of outside expert in this regard. It is emphasized to decide on the communication policy and process of the family and also to identify the sources of communication.

### Commandment II: To Professionalize Your Business or Perish

One of the most discussed themes in family business is the challenge of professionalization and the practice of professionalism as a growth imperative. Professionalization is the process of developing and maintaining professionalism in every part of an organization in which decisions are taken keeping the interests of all the stakeholders of the organization even it hurts personally anyone in the organization. The four key dimensions of professionalization such as: knowledge about the management of different areas (technology, market & finance); skills of relevance; attitude of the people involved and strategy, structure, systems & processes of the organization are discussed. A case let of "Sudarshan Chemicals: Essential Principles of Professionalization" is explained.

### Commandment III: To Preserve and Practice Values

Values are fundamental, like the DNA of an individual, and reflect the family members' perceptions about relationships, ethics, morality, views on society, purpose of living, and their responsibility to society. The chapter explains the need of values, values in practice, practicing code of conduct and emphasizes that, values should not be violated by any member in their thoughts, words or actions. The chapter provides illustrative list of family values and emphasizes the need to determine key family values and a code of conduct through a process of discussion.

### **Commandment IV: To Manage Ownership Challenges**

Business ownership is particularly an area of concern for creating individual and collective wealth for family businesses. Family business leaders should be clear whether the business is only to create wealth for a comfortable living for the family and or to build it as an institution for perpetuity. This chapter explains to make necessary changes in the ownership structure as the business grows and also provides different ownership models based on the need. This chapter furnishes a case let of Emami's takeover of Zandu. It also provides the many roles of ownership and emphasizes creation of a legally validated Shareholder's Agreement (SHA). The chapter explains need to satisfy varying needs of family shareholders as the family grows.

### **Commandment V: To Redefine Role but Never Retire!**

In family business people not interested in retiring should be only redefining their roles and never retire. The chapter explains the need for developing and also implementing a retirement policy (if necessary, with the help of a facilitator), including age, the roles they will continue to play, the benefits they will continue to receive, and the mechanisms of keeping them updated on business matters, as part of formulating a long-term strategy for the family in business. The family should discuss and agree upon a way to ensure implementation of policy.

### **Commandment VI: To Successfully Manage Succession in Business**

Leadership succession is one of the most discussed topics in family business because of the challenges involved in effecting smooth succession for the long-term success of the business. It should be planned and executed carefully as the challenges involved are different. It is clearly mentioned in this chapter that one of the major reasons for breakup or sometime failure of businesses in societies such as India is lack of a clear succession plan and/or its effective execution. This chapter explains challenges for succession planning in family business and provides a step by step approach to succession planning in family business.

### **Commandment VII: To Build Business Entrepreneurially**

The purpose of this chapter is to discuss the essence of building family businesses as entrepreneurial family ventures, including the challenges involved therein. It is emphasized that, an open and flexible approach towards a decision on starting on new venture will make family business attractive even to reluctant young generation members. This chapter provides classical case studies of the Piramal group and the Religare group of aggressive multigenerational family businesses that sustained across generations by demonstrating their keen entrepreneurial qualities in different ways. The chapter emphasizes to ensure that family has adequate wealth outside the existing business to meet growing funds requirements including for starting new ventures.

### **Commandment VIII: To Develop Long-Term Business Strategy**

Formulating business strategy in a family business is not the same as it is in a nonfamily business. This chapter provides a step-by-step approach for strategy making process in a family business. This chapter recommends to develop a long-term strategy for family business involving family members and senior non family executives. They have to follow an approach based on "detached passion" also means that individuals will be able to forget their narrow personal differences and petty egos, and see the big picture and work towards the shared vision and goals.

### Commandment IX: To Give Back: Family Philanthropy

Many well-known business families have created independent trusts and foundations to accomplish their philanthropic goals. This chapter examines at family philanthropy from all angles and advocates to bring professionalism into philanthropy. The benefits of family philanthropy such as: family unity, better communication, building family reputation, brand value and to keep family members retired from the business active are discussed in this chapter. The chapter provides the case lets of Arvind Eye Care System and Krishi Gram Vikas Kendra (KGVK), who have created own private foundation to make philanthropic initiatives institutionalized.

### Commandment X: To Understand “Togetherness”- Role of Consultative and Compassionate Leadership

This chapter explains the need for all family members to have a strong sense of being together for the benefit of both the family and business to build synergy. The need for developing clarity among all family members on the governance of the family by writing a constitution is highlighted in this chapter. The role of leader in the family as the custodian of wealth is highlighted. The chapter provides a Case let of GMR Group, which explains the essence of a detailed exercise on writing their family constitution.

The last chapter is on Conclusion, which advocates to build Family as an institution and discusses challenges in building such institutions. The chapter provides examples of family businesses that have evolved as institutions such as: E Merck KG of Germany (since 1668), Franz Haniel and Company of Germany (since 1756) and Indian groups such as Tata (since 1868), Godrej (since 1897), and Murugappa (since 1900). The common features identified of these institutions in this chapter are: Clear sense of purpose, Shared values, Custodian value, Adaptability, Dynamic resource building and Leadership.

### Key Takeaways from the Book

- Practicing the ten Commandments, business families will mature to perpetuate and institutionalize to sustain through generations and if ignored will be doomed by the 5Ds
- Each chapter provides case studies and case lets from India and overseas. The actions points, templates, and exhibits at the end of every chapter are illuminating.
- Many family business owners can, in fact, use this book as a ready reckoner and a checklist to professionalize and lengthen the span of their business.
- The book provides advice that finds application at every point in a family businesses' life cycle.
- Actionable ideas within 10 Commandments framework enable to build successful and sustainable family businesses.

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