An Interview with Prof. Kavel Ramachandran

Governance Dilemmas and Careerization Options in Indian Family Businesses

When a business grows to a medium size, family members should withdraw from day-to-day management and move into the role of strategic decision makers.

This is an effective path to achieve sustainable growth of family businesses in India.

Article / Helmut Kohlmann, Su Mingyue

In our series of interviews on family business education, we have interviewed a number of outstanding scholars and teachers in the field, both in China and abroad. In this column, we interviewed Thomas Schmidheiny Centre for Family Enterprise, a practicing entrepreneurship program at the Indian School of Business. Family Enterprise) Kavil Ramachandran, Professor of Practical Entrepreneurship and Senior Advisor.

After earning his PhD from Cranfield University in the UK, Kavil Ramachandran taught at the Indian Institute of Management, Ahmedabad, the Indian School of Management, the Indian Institute of Management, Ahmedabad, the Indian School of Management, and the Indian School of Management, Ahmedabad. Ahmedabad, Indian Institute of Management, and Indian School of Business, specializing in family entrepreneurship and strategic management, and is the author of Ten Comm andments for Family Business (published by Sage Publications). In addition, he has published several case studies in the field of family business, contributed to several academic books and written a series of monographs on the subject, and his contributions have been widely recognized both locally in India and internationally in the academic community.

Q A

Kavell Ramachandran

Helmut Coleman Su Mingyue

Q : First of all, how would you like us to call you?

A :Call me Cavell, Ram or Ramachandran. My full name is Kavell Ramachandran and "Ram" is a shortened version of my name. I'm from South India, where the last name usually comes before the first.

Q: Thanks for sharing, that's kind of our first takeaway for today! Can you tell us more about your background and experience?

A: I am from Kerala (Kerala), the southernmost state of India, which is close to the Arabian Sea. I grew up in a rural area where my family had been farming for generations, and I went to a public school where only Malayalam, the local language, was taught, and it was not until I went to college that English became the main language of instruction. From the beginning of my schooling, I wanted to be a useful member of society, and the ideas of Mahatma Gandhi and the Hindu philosopher Swami Vivekananda had a profound influence on me - especially Swami's teachings, which emphasized spiritual devotion and service to others, rather than religion itself. service to others rather than the religion itself. I developed personal values in line with these ideas and aspired to become an educator, for which I pursued a master's degree in business. After teaching in a junior college for a while, I wanted to do something more challenging, first as a consultant in small and medium-sized enterprises (SMEs), and then by applying for a government scholarship to pursue a PhD abroad.

I studied at the Cranfield Institute of Technology (now Cranfield Institute of Technology) in the UK for my PhD.

I studied at the Cranfield Institute of Technology (now Cranfield University) in the UK, and was fortunate that my supervisor was Prof. Malcolm Harper, a world-renowned expert in SME research at the time. My doctoral thesis was a comparative study of entrepreneurial practices and policies in the UK, Japan and India. In 1986, I returned to India, as I had hoped to do, when the Indian Institute of Management Ahmedabad, India's most prestigious management school, made me an offer to teach. There I focused on SME management, entrepreneurship and strategy, including designing and organizing training programs for SME owners. I invested a lot of time in interacting with the trainees in order to understand how the programs actually worked. It was also during this process that I came to realize that there is often a gap between the theoretical conception of business decisions and processes and reality, which is particularly evident in family businesses. Although I knew nothing about family businesses at the time, I began to notice the dynamic relationship between family and business, and the positive and negative impact of family on business. The logic of strategy development and implementation and the principles of decision-making taught in the classroom.

The logic of strategy development and implementation and the principles of decision-making taught in the classroom changed completely when the family factor was added to the mix. This happened because the family's own priorities had a significant impact on business decisions.

Q: So you entered this field of research by observing the actual characteristics of small and medium-sized family businesses in terms of strategy and management?

A: Yes, I was a founding member of the Center for Entrepreneurship Research when the Indian School of Business was established in Hyderabad in 2001. We soon realized that there were a large number of family businesses in India, but very few people specializing in this area. In 2003, I was fortunate to work with Professor John Ward of the Kellogg School of Manag-ement at Northwestern University, one of the world's leading experts in family business research, and one of the world's leading researchers in the field of entrepreneurship. expert in family business research and one of the pioneers in the field. Taking advantage of the collaboration between the two universities, Professor Ward visited the Indian School of Business and together we launched a new training program, and it was through this collaboration that I officially stepped into the field of family business research.

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When the behavioral patterns I had observed in small and medium-sized family businesses were confirmed by theory, everything became clear. This led to research on the professional management and governance of family businesses, a subject that I am still passionate about and feel a sense of commitment to today. If my work can help family businesses thrive and avoid family breakups, it will give me a great sense of satisfaction.

If my work can help family businesses thrive and avoid family disintegration, that will give me great satisfaction. In India, where the family-business nexus is often stronger than anywhere else in the world, through seminars, workshops, and articles, I have been able to convey the central message that family businesses are not "backward-looking" but are value creators that can transcend generations. In 2006, our research was recognized by the Swiss Dr. Thomas Schmidheiny, a renowned entrepreneur and philanthropist, took the initiative to fund the establishment of the Center for Family Business Studies at the Indian School of Business. After a global search by the School, I was invited to head the Center in 2007. My vision for the Center was to help family businesses transform themselves, and since then I have stepped back from working on issues related to large public companies to focus on the strategic issues of family businesses, especially small and medium-sized family businesses. Since the establishment of the Center, we have published a large number of case studies, organized several programs and conferences, and the Schmidheiny Foundation has been very pleased with the results of our work. Thanks to their support, the Center has expanded rapidly, and our next step is to develop an exclusive one-year training program for the next generation of family business members. In 2020, according to the timeline I set for myself

In 2020, in accordance with the timetable I had set for myself, I stepped down from my duties as Director of the Center at the age of 65.

I stepped down from my duties as Director of the Center at the age of 65. As I often tell entrepreneurs, I redefine "retirement" as "retiring, but never quitting"-quitting what you're doing now and starting a new chapter. Because people are

Former *CEO of Voith AG*, Visiting Professor at the Universities o Zeppelin and Leipzig, Advisor to Family Business Owners

Prof. Hermut Kormann

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There is only one final retirement in your life, and until then, you are just tweaking the pieces of the puzzle of your life. People always advise older business leaders to retire and enjoy their lives, but I don't see it that way, I want to tell them, "Don't stop, keep on being active, but please redefine your role and the direction of your work." I made my plans for retirement known to the Dean when I was 60 years old, so we had plenty of time to find a successor in 2020. At the dean's request, I'm still working part-time at the business school, but in a year's time, I'll probably be gone for good.

Q: How will you redefine yourself for the future?

A: I've suggested to entrepreneurs, "When you were young, you may have had a variety of passions and interests that you didn't have time for when you were working, so why don't you pick them up again now?" Today, I am practicing this proposition myself. First.

First, I want to break out of my hobby of writing in my native language, which I have neglected for many years; second, I want to extend my experience of family business institution-building to the broader field of social institutions, in the face of the decline of institutions and the proliferation of individualism around the world; and lastly, in the area of social service, I want to do good through the small family foundation that I have started, which I hope will provide services for the elderly and other charitable causes. In addition, I would like to travel to China and other countries, learn to play a few musical instruments, and of course find time to finish revising the final draft of The Ten Commandments of Family Business (Second Edition), which was published in 2015. There's just so much to do!

Q: What was the inspiration for the title of The Ten Commandments of Family Business?

A: The title is very general in nature. The book is framed in three modules - Family and Business Governance, Professionalization Process and Mindset, and Business Strategy. Taking the first part "Governance" as an example, a typical family business tends to grow at a high rate during the founder's era, but then stagnates. In the second generation, business expansion requires a shift from informal management to institutionalized systems, and there are not many successors who can achieve a smooth handover and transition. Although they have specialized competence, the role confusion of the triple identity of family member, owner, and manager (especially when multiple family members are involved in the business) becomes apparent at this point. While the founder can clarify the roles and responsibilities with absolute authority, a formalized family governance mechanism becomes a necessity after the founder's exit. Living together under one roof is the norm in Indian families, but the traditional 'oneness of cohesion' that this creates is diminishing with social change, making the need for governance mechanisms all the more urgent.

In examining the synergistic relationship between the three modules of

governance, professionalization and strategy, I

Ten key elements have been summarized: values, legacy, succession development, retirement (or role restructuring), philanthropy, etc. These elements are aptly called "commandments" - a designation shared by Prof. John Ward - and we have deliberately used the phrase "for" rather than "of" the family business. We have deliberately used the expression "for" rather than "of" the family business, because there are probably more than ten such "commandments".

Q: This book is a collection of your many years of practical experience and research in the field of family business, isn't it?

A: Yes, it is a practice-oriented book. Although I have tried to build theory, I have focused more on providing original insights than on repeating what has already been done. For the predictable cyclical crises of medium-sized firms, no scholar has previously constructed solutions through the three modules of governance, professionalization, and strategy, as I have done.

One of the key insights in the book is that the decline of a family is a slow process that is often difficult to detect in the early stages. Family members are often obsessed with "can we do this, can we do that", but most families lack clear rules, especially in the absence of a "backbone", even if there is a family member, the rules are often changed. The current social changes have exacerbated these dilemmas, and if they are not addressed in a timely manner, they can lead to behavioral deviations from expectations. When such deviations get out of hand, they can have serious consequences. For example, if you see that I am acting in a way that you think is incorrect, you might say to yourself, "Ram can fool around, so why can't I?" Deviation creates difference, and difference inevitably leads to conflict. In my book, I summarize this phenomenon as the 5Ds: Dilemmas, Deviations, Differences and Dilemmas.

(Dilemmas, Deviations, Differences, Disputes, and Destructions.

Dilemmas, Deviations, Differences, Disputes, and Destructions are the path to failure. People tend to ignore the dilemmas until disputes arise, and it is the function of the family constitution to prevent them by setting the rules of governance.

Q: Can you talk about the findings of the second module you proposed, on professionalization in family businesses?

A: I started my research on professionalization in 2008, when I had interviewed most of the large family firms in India. In the course of my research, I came across a phenomenon that I named the 'doubles model' (similar to tennis doubles) - family members and non-family professionals have to work together as a team (like doubles partners), and if they work together over a long period of time, they develop an understanding and a tacit understanding that allows them to work together efficiently and effectively. If they work together over a long period of time, they can achieve understanding and tacit understanding, and realize efficient cooperation. However, a typical challenge for family businesses is that after the founder retires, the

In large, multigenerational family businesses, professional managers should be hired from outside the family to serve as paid managers, and if a family member remains in this role, a split will be inevitable.

The successor and the professional manager need to be re-teamed, and most of the cases I have studied have shown that this new combination is difficult to translate into a new partnership, and the professional manager tends to leave quickly.

The reason for this is that professional managers are used to a highly systematic, process-oriented model of work, and it is difficult for them to adapt to a family-owned, founder-centered organization, which can be likened to a tennis match between two singles players who are unfamiliar with the rules of doubles play. I have found that there is a "collaboration vacuum" between family members and professional managers - a vacuum of professionalism, but a vacuum of cooperation. This vacuum was a minefield that could lead to conflict at any time. The concept of "doubles mode" also applies to siblings taking over a business, or founders working with their successors, where an unstable new "doubles team" can impede the process of development at a critical stage when professionalization is most needed.

Q: What advice would you give to a family business in the "doubles dilemma"? A: I have two suggestions: the first is education at the family level. The first is education at the family level. Although the participants already have management qualifications, they still need to systematically learn about the family business, improve their knowledge of the family business, and understand the best practices of multi-generational business; and secondly, cultivate the skills needed to be a good "doubles partner," especially the mindset. Excellent tennis doubles players will regularly review their matches and share their problems.

For example, one player will say, "You missed that ball," and the other will say, "Oh, I thought you were going to catch it," or "How did we collide?" In this way, they are able to anticipate the situation, come to a consensus, and adjust the subsequent fit. Similarly, I recommend that co-managers of family businesses create a log to record approval or disagreement with decisions, and share them regularly each week in a casual setting in an informal setting, e.g., "I agree with that decision you made," "I don't quite understand that decision, what's your logic behind it? " In the long run, both parties will gradually find the rhythm of cooperation, just like marriage, after deciding to become lifelong partners, and deepen their understanding of each other during their time together.

Q: Will these methods be incorporated into the teaching of your program?

A: Yes. During the course, I'll ask participants to share actual challenges they've encountered and lead them to reflect on them. For example, I will ask, "Why didn't you stop your relative when you knew it was wrong?" They might answer, "I thought he would be upset, and I love him too much to upset him." At that point I use the 5D model to explain to them that it's about using family emotions to deal with business issues.

Q: What are some of the emerging trends in the family business space that you think are worth watching for in the future? A: My field research focuses on the Indian subcontinent, including India, Nepal, Sri Lanka and Bangladesh, and only indirectly about family businesses in Europe, America and China. What I found was that India is moving away from the traditional model rooted in agrarian society, where the close family ties of living together, working together and sharing ownership are disintegrating and being replaced by the nuclear family model, with a clear trend towards individualization in the distribution of ownership, careers and rewards. Such changes are taking place all over India, only to varying degrees from place to place. Taking the example of two groups of traders in two parts of India, the Marwar [originating from the Marwar area of Rajasthan in North India] whose business network is now global, and the people of Gujarat who still retain a strong entrepreneurial spirit, a section of these groups still hold on to the

The people of Gujarat still retain a strong entrepreneurial spirit, and some of these groups still adhere to the highly integrated principles and values of family business, but even so, many traditional practices are changing significantly. Recognizing this trend, I see it as my mission to analyze the impact of this change on family businesses and to help them make a successful transition.

Another key topic is undoubtedly intergenerational succession, and I believe that there is a need to broaden the understanding of this topic. There is a consensus in the academic community that succession is not an event, but an ongoing and complex process. Regardless of the size of the business, succession involves multiple stakeholders and is much more than just a "baton handover" between the current incumbent and his or her successor. It also includes retirement planning, teamwork patterns, social acceptance, and the family's readiness for change, among other things, and it is precisely this multidimensional complexity that makes the process of succession so challenging and difficult to move forward smoothly. It is this multidimensional complexity that makes the succession process often challenging and difficult to move forward smoothly.

Although family business transition is the focus of my current research, I must confess that I do not have the patience to revise my papers for journal publication, and I usually lose interest after two rounds of revisions. I am not interested in the number of publications, but rather in the clarity of the ideas and practice, and I am fortunate to have developed a group of researchers who are more patient in this regard.

Q: Based on these transformational trends you have observed, how will startups in India that have the potential to become family businesses evolve?

A: In the current global wave of entrepreneurship, many startups actually originate from family businesses. With an entrepreneurial family atmosphere, it is natural for the next generation to try and create new businesses. We have found that the number of startups coming from business families is very high, and the advantage of these entrepreneurs is that they are part of a well-established business ecosystem, with easy access to capital, contacts and professional guidance, and do not need the support of specialized incubators or gas pedals. It is worth noting that many of the startups that were founded in the 1990s or around 2000 have been in the business ecosystem for a long time.

It's worth noting that many of the companies founded in the 1990s or around 2000 are now family businesses - with founders passing on equity to their children, who then take part in running the business. This means that there is a steady stream of start-ups turning into family businesses, where the entrepreneurial spirit is passed on from one generation to the next.

There is a very interesting phenomenon in India right now: the need for family governance has emerged in startups as well. In the exploding number of startups, many families have set up venture capital funds specifically to support the next generation of entrepreneurial ventures. I strongly endorse this practice and have counseled business families on it. To make good use of this fund, families need to develop a sound system: clear criteria for project application and selection, clear rules for ownership allocation, reasonable incentives, and most critically, clear business ownership at the early stage of the venture. Since startups are usually small and ownership is often overlooked, my suggestion is to make it clear from the beginning that if the younger generation uses family funds to start a business, then strictly speaking they are only "pushers" to promote the new business to the ground, and with their own entrepreneurial ideas and actual efforts, they will receive They will receive "hard money" ("labor equity"), i.e., a limited share of the equity. This idea stems from John Ward's distinction between "blood equity" and "labor equity," which, as I emphasize in my 5D model, is a key distinction.

If this important distinction is ignored, dilemmas and deviations will occur over time.

The situation is even more complicated when parents break with the family tradition of collective decision-making and provide their children with direct access to entrepreneurial capital.

The situation becomes even more complex when parents break with the tradition of collective family decision-making and directly provide their children with entrepreneurial capital. This approach effectively changes the family incentives that have been determined by the extended family - traditionally, all family members work together, with equal shares of pay and equity among peers. In response to this shift, I developed the Gratuity System for family businesses, which draws on the principle of gratuity in human resource management: members are compensated according to the number of years they have worked in the family business. Family members who are no longer involved in the business are paid according to the number of years they have worked in the business from a special fund, a concept that has been adopted by many business families and which has the advantage of providing the necessary flexibility to adapt to changing times. Now that more and more young family members are choosing to start their own businesses or return to the family business after gaining experience externally, the honorarium system, which makes a clear distinction between returns on ownership and rewards for contribution and calculates them separately, is effective in preserving family unity and fairness.

Q: What are the characteristics of large multi-generational family businesses in India?

A: Some of India's large and iconic family businesses used to be seen as models of longevity, yet in recent years I have found that they are falling apart. Take Godrej Group, one of India's largest corporations, for example, a diversified giant now run by fifth-generation members, which has always been known for its family rapprochement but is vertically splitting up in 2025. Another case in point is Hero Group, the world's largest bicycle maker, which was founded by three brothers, and which has been in the family for three generations, each of whom has mastered the art of family business management and eventually split the family's assets into four or five parts. The TVS Group in South India, another diversified conglomerate known for its deep cultural heritage and family harmony, also did not escape disintegration.

The prevalence of these splits is thought-provoking.

that family breakups are the result of internal strife, but this is

clearly not the case in these cases. My

conclusion is that when a family splits up its business in order to adapt to the needs of development and arranges for different family members to manage different business units, this organizational structure will lead to the inevitable disintegration of the family business. Because the family is divided into "islands" and each member's responsibility is limited to his or her own "island", the traditional family collectivism and cohesion is gradually diluted in the inheritance.

Based on this, I suggest that when the family business grows to a medium size, family members should withdraw from the daily management and play the role of strategic decision makers. I propose three generational roles for family business members: entrepreneur, strategist, and responsible owner. In large, multigenerational family businesses, professional managers should be hired from outside the family to serve as paid managers; if a family member remains in this role, splits will be inevitable. I realize that this statement is perhaps too absolute, but I think it is in line with the development of family businesses in India. To maintain family harmony, you have to let go of the day-to-day management of the business. The Burman Family, which owns Dabur India Limited, is a successful example.

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example. Founded in 1956, this FMCG and

Founded in 1956 as a FMCG and Ayurvedic medicine business, the family wisely stepped away from direct management when it reached a medium size more than two decades ago. One of the first business families in India to separate the family from the business, the Berman family handed over management to professional managers, with the family exercising control only through its strategic functions. In my opinion, this model is an effective path to achieving sustainable growth for family businesses in India.

Q: Finally, what advice would you give to researchers who are just entering the field? **A:** First of all, don't start with data analysis in terms of research methodology, conduct

A: First of all, the research methodology should not start from data analysis, but case study, and we should try to "dig deeper" instead of staying at the surface information; secondly, unless you love family and life, you should not enter this field. As a scholar of family business, my pursuit is to bring joy to others, and to see the smiles on their faces is my greatest fulfillment.

Translation / Chai Yusheng