

FAMILY BUSINESS CONTINUITY

ENSURING A FAIL-PROOF SUCCESSION PLAN

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Part I

Finding the Goldilocks Zone: Managing Conflict in Your Family Business

Dr. Josh Baron of BanyanGlobal Family Business Advisors and Harvard Business School



Impact of Conflict

In family business management, excessive conflict can disrupt the enterprise and the family, and insufficient conflict can yield similarly adverse outcomes.

CONFLICT		
TOO MUCH	IMPACT ON ENTERPRISE	TOO LITTLE
Infighting	Limits growth and innovation	Breeds complacency
Forum-shopping	Leads to poor decision-making	Lacks collaborative problem-solving
Leads to missed opportunities	Erodes competitive advantage	Hinders adaptability
Drives lawsuits and buyouts	Fuels separation	Drives disengagement and departures
IMPACT ON THE FAMILY		
Retreat to safety, leading spillover across generations	Generates factionalism	Results in loss of authenticity and familial unfamiliarity
Fighting, people stuck in the middle	Poor relationships	"Iceberg" effect, quiet seething

Figure A: Effects of Excessive and Insufficient Conflict on Family Enterprises

Conflicts at the extreme ends of the spectrum within a family business—whether excessive or insufficient—can result in various detrimental outcomes and challenges.

When conflict takes the forms described above, it directly impacts the capacity of a family business to seize opportunities and make well-informed decisions. This, in turn, affects the overall growth of the enterprise as it also limits adaptability – an essential contributor to the resilience of an enterprise in an ever-evolving market.

Moreover, the family business may be plagued by negative consequences like infighting and interpersonal tension among family members engaged in the business, a sense of complacency leading to a lack of innovation, poor decision-making, and even legal disputes due to the absence of productive dialogues, constructive debates, and diverse viewpoints – all of which are fundamental elements for turning challenges into opportunities for improvement that are often not present due to high levels or low levels of conflict.

What is a Goldilocks Zone?

The Goldilocks Zone is a concept in astronomy that refers to a region around a star where conditions are just right for life to be sustained

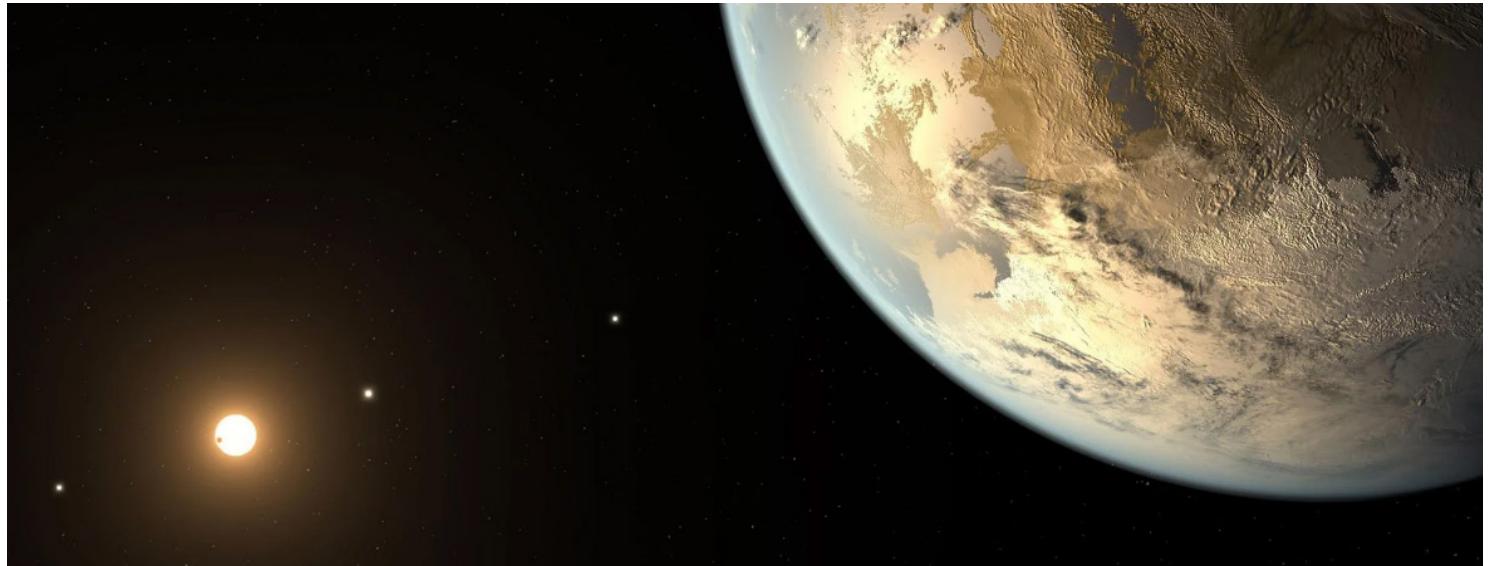


Photo: This is what an artist thinks Kepler-186f may look like. It's a planet orbiting star Kepler-186, and scientists say it sits in its star's Goldilocks zone. NASA AMES/SETI INSTITUTE/JPL-CALTECH

In the context of family businesses, the Goldilocks Zone refers to the optimal level of conflict that is neither too much nor too little, where it isn't so intense that it tears the family apart but also not so absent that it leads to superficial harmony. This 'just right' level ensures the family business not only survives but thrives, much like a celestial body in its harmonious orbit around a star, basking in just the right amount of light and warmth. To achieve this, family businesses must learn when to cool things down and when to kindle the flames of constructive debates to keep the family business thriving in its sweet spot.

Navigating the Cycle of Family Enterprise Conflict

1. Identify where your family business is.

Conflict tends to escalate when the context changes, often triggered by feelings of insecurity and uncertainty arising from tensions and disruptions in a system rather than the behavior, greed, or ill-will of any one person. These disruptions, also referred to as 'shocks' to the system that either gradually or suddenly interrupt established strategies and dynamics within the company, can take various forms that are often beyond the control of a family business. Hence, they can render previously successful family business strategies ineffective and insufficient.

Therefore, the first step to getting back on track is to identify the triggers or the kind of disruption that occurred and become aware of which stage a family business currently stands in to gauge and assess necessary steps to avoid escalation and prevent further damage both to the family and the business.

Instances that trigger change and create a feeling of insecurity:

- Death of family leader
- CEO succession
- Entry of spouses
- Entry of the next generation
- Separation of family (physical or interest)
- Proximity of family
- Sale of business
- Change in performance: strains of success or stresses of decline
- Change in distribution of ownership

The Conflict Spiral



Figure B: The Conflict Spiral (Further discussed in Dr. Josh Baron's book with Rob Lachenauer entitled **Harvard Business Review Family Business Handbook: How to Build and Sustain a Successful, Enduring Enterprise**).

Note: The culture of conflict is different in every family. Conflicts in your family business do not have to come in the form of the abovementioned dynamics.

2. Establish alignment.

It is inherent in human nature to respond decisively to crises. Thus, the key lies in fostering alignment centered around recognizing the imperative for change and the necessity of finding a solution that restores stability.

One way to align the need for change is to present how reconciliation's benefits outweigh its costs.

3. Explore resolution paths.

To ultimately escape from major conflicts, family businesses are often confronted with a range of potential paths, each presenting its own unique considerations:

- a. Exit - entails the exit of a family member from the business entirely or the entire family from entrepreneurship.
- b. Buyout or Split - involves a family member relinquishing their share through a buyout or a more equitable division of shares.
- c. Grand Bargain - enables the family to continue the business while adopting fresh, innovative strategies.

Core Strategies to Reach the Goldilocks Zone

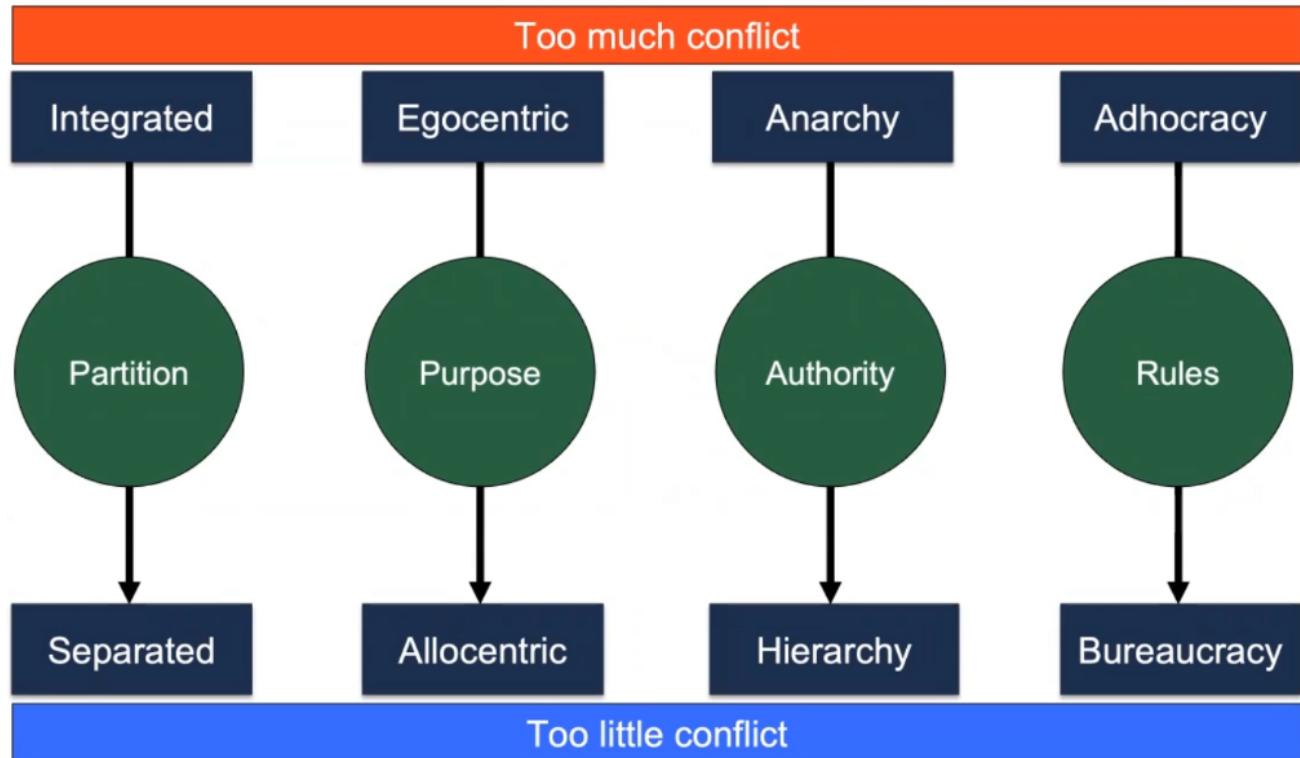


Figure C: Core Strategies and Their Impact

1. **Partition** - Involves the creation of separate spaces for family members to occupy, either within the business (e.g., companies, functions, etc.) or in other parts of the family enterprise (e.g., foundation, family office).

Managing Partition

- Look for opportunities for separate locations, entities, units, or functions.
- Set clear boundaries between work and family.
- Offer alternative channels for contribution beyond the core business (e.g., new ventures, philanthropy).
- Cultivate psychological diversity by distributing resources or establishing separate access points.

2. **Purpose** - Defines the reason for pursuing a family enterprise that motivates people to sacrifice their personal interests in service of something that they can only achieve together.

Defining shared purpose

- Identify what you will gain through collective family ownership. (Families must work on this every now and then as purpose naturally declines across generations without effort to reinvigorate it.)
- Identify what you will lose if the family enterprise fails.
- Create cohesion by identifying the "out group" (carefully)
- Activate purpose in the family enterprise.
 - Mission, vision, values statements
 - Family history projects

3. **Authority** - Refers to the decision-making power - e.g., through shares, agreements, trusts, status, etc. - that allows someone to take action when there is a lack of alignment.

Clarifying authority

- Concentrate ownership in a single person or subset.
 - Can be done via voting shares, trustee power, or control entity.
 - Comes with the risk of choosing the wrong person or other owners disengaging.
- Delineate clear processes for addressing lack of alignment.
 - Voting procedures
 - Consensus-based approach
 - Mediation/arbitration
 - Pre-defined exit paths
 - Decision-authority matrix
- Delegate decision-making authority through the use of the Four Room model of governance (Can be found in the book Dr. Josh Baron co-authored with Rob Lachenauer titled "Harvard Business Review Family Business Handbook: How to Build and Sustain a Successful, Enduring Enterprise").

4. Rules - Set behavioral expectations with consequences and violations to encourage specific actions while discouraging others. They can be formal (written policies) or informal (cultural norms).

Crafting Effective Rules:

- Develop policies to address potential "hot spots," such as:
 - Financial matters (e.g., compensation, dividends).
 - Role-related aspects (e.g., promotion, feedback, removal).
 - Shared property usage (e.g., family vacation homes).
- Prevent "culture clash" by formulating aspirational norms that balance tradition with a changing environment.
 - Address gender roles and expectations.
 - Consider inclusion or exclusion of spouses.
 - Navigate the dynamics of merit vs. inheritance (CEO roles and primogeniture).

Dr. Josh Baron advises family businesses to use these strategies thoughtfully. Too much of anything can cause problems, so only apply what is necessary to avoid complications. Keep in mind that each strategy has its limits.

Strategy	Too much	Too little	Just right
Partition	Inability to see entire picture	Chain gangs	Separate spaces, without fracturing
Purpose	Loss of self (cult-like)	No reason for shared sacrifice (lose gravity)	Strong sense of "why", while seeing value of independence
Authority	Seen as illegitimate (even dictators need allies...)	Inability to make any decisions	Consensus-based process, but ability to move forward when you don't agree
Rules	Suffocating, loss of vitality	Unproductive behavior and accompanying anxiety	Clear expectations about behavior, with room for individuality

Figure D: Impact of each conflict management strategy on the family business.

Part II

More than just a COO (Child of the Owner)

A live conversational Q&A with Mr. Kevin Tan of Alliance Global Group and Prof. Enrique Soriano of W+B Advisory Group



Finding his own path

Kevin was never coerced into the family business. Unbeknownst to most, Kevin's father, Andrew L. Tan, advocated for his independent career start by encouraging him to gain experience elsewhere and advising him to conceal his familial connection

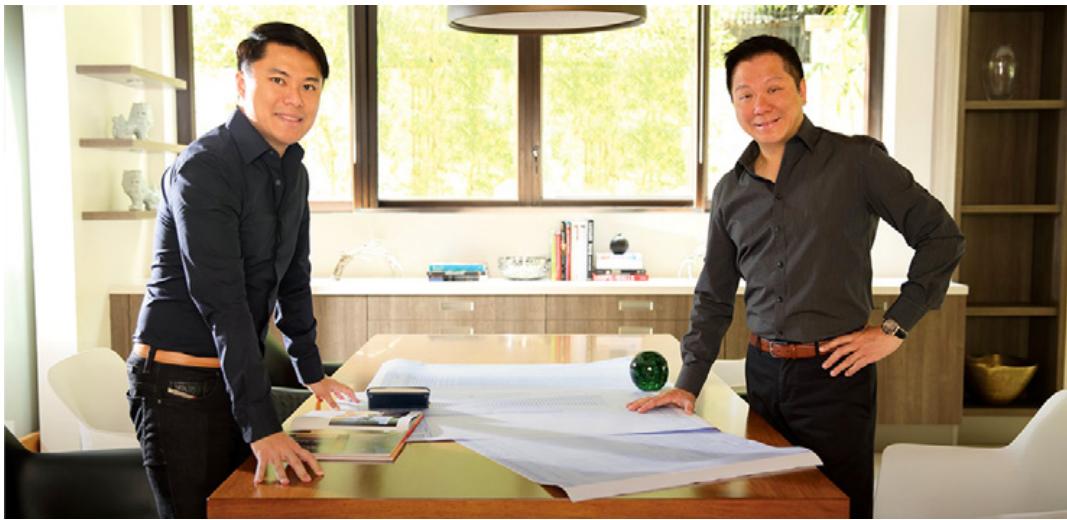


Photo: Alliance Global Inc: <https://www.allianceglobalinc.com/sites/default/files/2019-09/news-kevin-tan.png>

The older Tan, having waged his own battles when he was younger in order to become the visionary tycoon he is today, understands more than anyone the intrinsic value of confronting real-world challenges head-on. This wisdom fueled his encouragement for his son to work his way up independently, as it's through these trials that resilience is forged, and invaluable insights are gathered. This strategic move proved fruitful as it guided Kevin onto a path unburdened by expectations, lineage, and preconceptions—a journey where his skills, not his name, blazed the trail.

This narrative underscores a crucial lesson for next-generation leaders: the importance of forging their own paths. While familial influence or any other influential ties can provide support and guidance, the road to genuine leadership is not simply paved with opportunity. Hence, young leaders must not rely on these 'advantages' as crutches.

Kevin's journey stands as a testament to this truth, as he has not only succeeded but also earned the right to relish and enjoy his position at the helm of their family-inspired conglomerate, Alliance Global Group. With his hard-earned achievements, Kevin is a testament to the principle that genuine leadership is born from the trials and tribulations of self-made success, rather than being solely an inheritance based on blood ties or privilege.

Lessons from the ALT

1. Live a life of integrity.

- Strive to do what is right even when no one is watching, as integrity is the cornerstone of a lasting reputation.
- You have one name; it takes a lifetime to build it but mere seconds to destroy it.

2. Be an empathetic leader.

- Recognize that every employee contributes to the company's success irrespective of their position. They are the foundation and the lifeblood of a company, and it is only just for their well-being to be a top priority.

3. Be a good listener.

- To your customers: Listen attentively to customers to understand their evolving needs and desires and adapt your strategies accordingly.
- To your people: Pay attention to the concerns and ideas of employees and executives, as their perspectives can drive innovation and growth.
- To your parents: Listen to your parents and/or elderly to tap into the wellspring of familial wisdom and align the business with its foundational principles and long-term vision.

4. Empower your people.

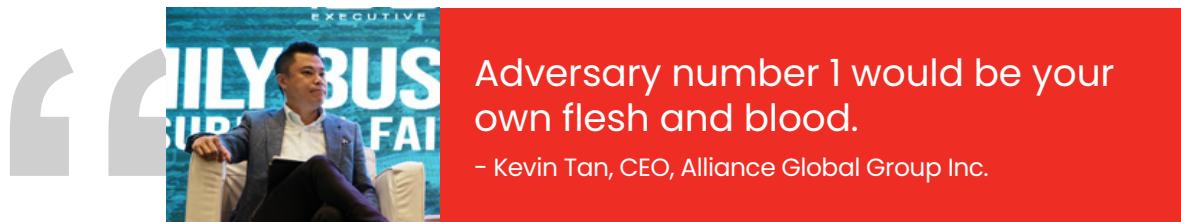
- Allow them to flourish, grow, and develop themselves in an environment where they can hone their skills, expand their knowledge, and advance within the organization.
- Trust the people you hire and acknowledge that you have chosen capable individuals who can contribute significantly to the company's goals.

Question: How would you advise the next generation of family members intending to join the family business?

1. Suck it up and learn to fend for yourself.

"As a child, we should remove any expectations that we should be accorded in a special manner because, in the real world, nobody cares who we are. Your parents might take care of you, but others out there won't care about you. So, my advice would be to suck it up, be a bit more thick-faced, and just absorb the criticism whether it be unfair to you."

When faced with a parent's approach of tough love, next-generation leaders should be open-minded and embrace the opportunity to cultivate independence. This unique approach, demanding and taxing as it is, aims to build character and prepare them for the rigors of the real world. It is a necessary step to push their boundaries, reach their full potential, build their Adversity Quotient, and equip them with the skills needed to face greater challenges beyond the comfort of the familiarity of their family's business.



Adversary number 1 would be your own flesh and blood.

– Kevin Tan, CEO, Alliance Global Group Inc.



Too much comfort will lead to entitlement.

– Prof. Enrique Soriano

2. Trust your parents.

Next-generation leaders must acknowledge the invaluable wealth of experience and wisdom their parents bring to the table and place trust in their parents' plans for them.

It's important to note that wisdom imparted by parents remains a constant, regardless of where individuals study, work, or gather knowledge for self-improvement. This enduring source of guidance and insight will always contribute to their growth and development in ways that may become increasingly clear over time.

However, it's crucial to recognize that this trust is a two-way street. Parents, in turn, should reciprocate this trust, granted that their children demonstrate competence and commitment.

This mutual trust serves as the cornerstone of a successful partnership in both personal and professional development, a bond that the father-and-son Tan has already established. Through this bond, they have cultivated an environment where the exchange of insights and ideas between generations flourishes, ensuring the sustainability and growth of the family legacy.

3. Convey your ideas effectively and respectfully.

Regardless of the quality of your idea, it is essential to present it with due respect and proper articulation. The manner in which an idea is communicated significantly influences its reception and potential for acceptance, and even the most exceptional concepts can swiftly face rejection if not presented appropriately.

Navigating Complex Aspects of a Family Enterprise: The Role of Next-Generation Family Members

Addressing Family Member Entitlement in Business Roles

- **Merit-Based Approach:** Family members should strive to earn their roles through their qualifications, skills, and contributions rather than relying solely on their birthright.
- **Begin at the Foundation:** To demonstrate genuine commitment and understanding of the family business, family members should start from the ground up. This involves gaining hands-on experience in various roles, even if they eventually plan to take on leadership positions.
- **Earn the Trust of Executives:** Family members should proactively demonstrate their dedication and competence to gain the trust, loyalty, and respect of the executive management team.
- **Passion, Vision, and Strategy:** Family members seeking a position in the family business must possess vision and passion, ensuring decisions are aligned with the business's best interests. Their decisions and actions should be aligned with the best interests of the business rather than personal gain. This ensures that family members in leadership positions are making decisions that benefit the business as a whole, reinforcing their commitment to its success.

Compensation of Offspring and Family Members in the Family Business



- **Fair rather than Equal:** Compensation must reflect each individual's measurable contribution and level of effort or actual work, devoid of undue favoritism.

Attracting the right talents

Establishing a professional management team for your family business is crucial as they stand as frontline problem solvers operating on the ground and driving substantial initiatives. Moreover, a diverse team enhances family dynamics by bringing unbiased perspectives, which allows them to have the capacity to handle potential interpersonal issues due to their objective stance and dedication to company growth.

A Father-and-Son Duo Built on Trust



Photo: Hospitality news PH: <https://hospitalitynews.ph/3985/alliance-global-appoints-kevin-tan-as-ceo/>

The relationship between Kevin Tan and his father is founded on steadfast mutual trust, spanning skills, knowledge, and decision-making. However, this rapport did not materialize instantaneously.

Initially, the father-and-son pair frequently encountered disagreements and conflicts, with Kevin humbly stepping back out of respect. However, as time passed, Kevin's dedication and ability to turn ideas into reality impressed his father, Andrew. This recognition led Andrew to gradually entrust Kevin with greater autonomy to implement his ideas. Today, they maintain a weekly tradition of discussions and casual conversations, a testament to their enduring bond, which also serves as a continuous wellspring of guidance for Kevin.

Drawing from his strong relationship with his father, Kevin aims to inspire all family-owned businesses to foster similar relationships. He firmly believes such connections can forge a unique bond—one imbued with synergy, progressiveness, and the uncharted potential of creativity.

PART III

More than just a COO (Child of the Owner)

A live conversational Q&A with Mr. Lance Gokongwei of JG Summit Holdings Inc.
and Prof. Enrique Soriano of W+B Advisory Group





Photo: Philstar: https://media.philstar.com/photos/2019/11/10/s1-john-gokongwei-lance-gokongwei_2019-11-10_10-34-48.jpg

Getting down to business

Lance Gokongwei's journey into the family business built by his late father, the visionary John Gokongwei Jr., up to becoming his father's successor has not been a surprise – at least to their family. Nonetheless, his early and continuous exposure to the operations of the business itself, which gave him an understanding of the practicalities of the business as well as ingrained in him a sense of familiarity and connection to the company's operations, proved him to be deserving.

From the outset, it was anticipated that Lance, alongside his five sisters, would perpetuate the legacy and business empire established by their father. However, as the sole male heir in a conventional Filipino-Chinese household, the weight of that obligation was particularly conspicuous for Lance – to which he did not harbor even a trace of hesitancy to embrace. He was envisioned as the torchbearer of his father's vision, entrusted with propelling the company into the future, exemplifying an inherent sense of responsibility ingrained within the family's principles.

The story of Lance Gokongwei underscores the complexity of family businesses, where dynamics of tradition, legacy, and practicality converge. His journey is a testament to how exposure, duty, and a steadfast commitment to the family's aspirations can shape an individual's path. From putting tags on products as a young participant to eventually helming significant leadership roles to successfully succeeding his father and taking on the highest role within their family conglomerate, the JG Summit Holdings Inc., Lance's journey reflects a fusion of heritage and modernity, responsibility and ambition – a strategy their family still does considering that they have adjusted their ways of involving members of the family into the company.

Preparing the next generation

Lance Gokongwei suggests that the best practice today in terms of preparing the next generation of leaders is to have them work outside the family business for a few years after the conclusion of their academic education rather than immediately integrating them into the organization.



In this approach, the emphasis lies in accumulating not just degrees but also real-world experience and practical skills. The idea is to let these budding talents explore the broader world, make their own mistakes, and learn from them.

It is essential, however, to ensure that these budding leaders are made aware of the assurance that the family's arms are always open and that they're not just welcome back but actively encouraged to return once they've honed their skills and collected the treasures of experience.



JG SUMMIT HOLDINGS, INC.

Currently, at JG Summit, the family is preparing the fourth generation for roles in governance. This initiative is centered around nurturing their aptitude as skilled leaders while intentionally avoiding obligatory engagement in managerial positions - a move that would allow them to join the family business in a role where they would thrive.

The No In-Laws Policy

The Gokongwei family has established a "No In-Laws Policy" with the objective of upholding an impartial and objective environment within their family business. This policy has been instituted because certain marriages may not endure, loyalties can shift, and determining which in-law is more deserving, capable, or skilled can pose considerable challenges while striving to avoid causing emotional distress or interpersonal conflicts.

Family Unity at its Finest

When a family shares core values, a structured process is the key to harnessing the potential of each member and enabling them to excel in roles and positions suited to their strengths.

This hinges on alignment, a deep comprehension of the "Business First" mindset, and a collective dedication to pursuing endeavors that serve the greater good of the business. However, even with alignment and shared values, the necessity for a singular decision-maker remains crucial, irrespective of birth order or age. The rationale is to prevent chaos from having multiple leaders simultaneously directing the business.



The business is not around to serve the family; instead, the family's first priority is to serve the business.

- Lance Gokongwei, JG Summit Holdings Inc.

- Key points
 - Cultivating Effective and Transparent Communication Among Engaged Family Members
 - Implementing a Guiding Family Constitution to Direct Business Operations
 - Establishing a Clearly Defined Structured Process for Gradual Family Member Involvement
 - Embracing a "Business-First" Mindset as a Central Tenet
 - Designating a Singular Decision-Maker Responsible for Balancing the Greater Good of the Business

Investing in Talent

In a family business, the family's role predominantly revolves around governance, ownership, and strategic decision-making. However, when it comes to day-to-day business operations, the ideal approach is to select the most qualified and well-suited talent from a pool of professionals.



Nurturing Legacy and Innovation Moving Forward

JG Summit Holdings Inc. is committed to offering better choices to customers and fostering shared success among stakeholders. They also prioritize preserving their family's values and principles. Hence, according to Lance Gokongwei, to this day, the values, principles, and visionary ideals of the founding generation continue to serve as guiding beacons for the company, as enshrined within their family constitution.

- Key Principles
 - Articulate the Business Purpose: Align the business's purpose with the wisdom passed down from the founding generation, adapting it to thrive in the modern world.
 - Perpetual Innovation: Maintain a relentless focus on innovation to stay at the forefront of industry evolution.
 - Safeguard Reputation: Protect the reputation of both the family and the business.
 - Legacy for the Future: Recognize that the business serves not only the current generation and the community but also the generations to come.

Advice to Founders

- Embrace Mistakes as Pathways to Growth within a Framework of Freedom

Foster an environment that welcomes mistakes as valuable learning experiences. Recognize that the decisions made by the next generation, even when they result in errors, are integral to their growth and continuous improvement, provided they operate within a structured framework.

- Prioritize the Transition to the Next Generation

Invest the necessary time and effort into crafting a well-defined plan for transitioning the business to the next generation. A lifetime dedicated to building a business you cherish and take pride in should not end in its deterioration due to a lack of planning. Proper foresight and strategic planning are essential to protect the legacy you have worked so hard to create.

Lance Gokongwei's Legacy Aspirations:

- **Transition the Business to Stronger and Wiser Hands:** He aims to be remembered for successfully passing the business into capable and insightful hands, ensuring its continued growth and prosperity.
- **Foster Harmonious and United Family Purpose:** Lance Gokongwei desires to leave a legacy of a harmonious and united extended family bound by a shared sense of purpose and commitment.
- **Encourage Philanthropy and Social Contribution:** He hopes his children will continue their legacy by giving back to society and contributing positively to their communities.

PART IV

More than just a COO (Child of the Owner)

A live conversational Q&A with Mr. Lance Gokongwei of JG Summit Holdings Inc.
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A Reminder to Business Owners:

In the words of Prof. Enrique Soriano, he emphasizes to his clients the importance of acknowledging the potential reality of serious illnesses striking individuals, especially among business owners. He warns that such illnesses could affect them or their loved ones, be it spouses, children, parents, or other family members.

Hence, he highlights the ensuing challenges unfortunate events could bring, such as the emotional turmoil associated with distributing one's wealth and addressing any disputes concerning wills, which can reveal the true nature of family members and heirs, potentially leading to upheaval and discord.

Therefore, Prof. Soriano underscores that a business owner can never manage such conflicts from the grave, and as a result, he encourages individuals to reflect on their response to and plans for such challenges and asks, **"What kind of person will you be in those unfortunate moments?"**

Main Reasons Why Family Businesses Collapse

- Controlling senior generations
- The next generation's sense of entitlement

Four Major Causes of Business Failure

1. Forbidden issues

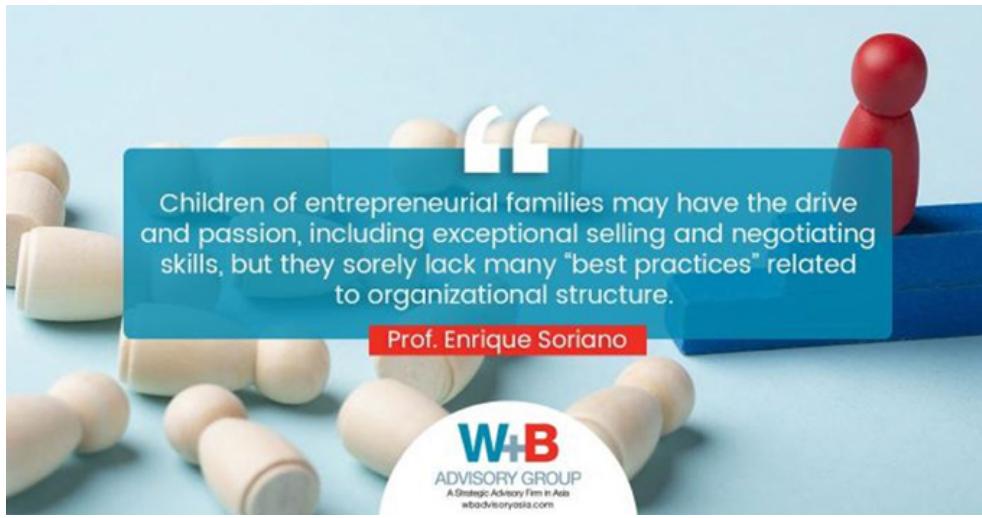
Lack of trust and misunderstandings in the family leads to conflict avoidance, lying, and hiding things from each other.

- **Solution:** Establishing a Family Council can effectively mitigate the risks associated with familial discord as it provides a platform for family members to engage in transparent discussions, air concerns, and collectively make decisions that impact the business.

2. Lack of meritocracy

The inability of the following generation to cultivate the requisite skills that match those needed by the current and future business environment.

- **Solution:** Solution: Family members coming into the business must be capable of sustaining the business, hence the need for necessary skills.



3. Lack of clarity

The lack of planning and governance at the business, family, and ownership levels.

- **Solution:** There must only be one 'captain,' one decision-maker, rather than having each family member have equal shares and decision-making power.

4. Weak or misaligned values

Lack of shared understanding of what values the company and the family live by and want to preserve.

- **Solution:** Establish alignment among family members and bridge the gap between the values the family upholds and those integral to the business.



Adversity Quotient: Drawing Inspiration from Jackie Chan's Resilience

Jackie Chan, a living legend in the world of entertainment and martial arts, is a testament to the incredible power of hard work, dedication, and resilience. Over decades of relentless commitment to his craft, he has faced numerous adversities, from grueling physical injuries to the challenges of an ever-evolving industry, and it did not go to waste; rather, it led to the reputation he now has and the fortune he amassed.

Much like Chan, family business founders cultivate their own reservoirs of resilience and adaptability. They often begin with limited capital, minimal resources, and an unwavering desire to create something from nothing. Choosing the path of entrepreneurship makes them vulnerable to one hurdle after another, forcing them to learn how to cope with failure, pivot, and adapt. Their strategies, and ingeniously navigate the intricate world of business. With that, just as Jackie Chan's dedication to his craft transcends mere financial success, founders view their enterprises as more than just profit generators; they see them as a source of personal fulfillment and achievement, and some even an extension of their identity. This initial struggle in pursuit of their vision, coupled with the emotional attachment that founders develop to their businesses, becomes the crucible in which they forge their high Adversity Quotient (AQ).

This AQ is the very quality that new leaders and future generations must not only understand but also actively possess and nurture. It is the bedrock upon which success in the face of adversity is built, a timeless lesson drawn from the remarkable journey of Jackie Chan and the world of family business.



**"We all must suffer one of two pains.
The pain of discipline, or the pain of regret."**

- Jim Rohn

Build Your Ark Now

In the unpredictable journey of business ownership, time is a finite resource, and circumstances can take unexpected turns. Whether it's grappling with illness, navigating conflicts, weathering financial storms, or facing the above mentioned reasons why family businesses collapse, being prepared is the key to preserving both business and family harmony.

So, the question is simple: Will you listen to this call and take action, or will you let problems and laziness ruin your family's dreams? The choice is yours, but Prof. Soriano has reiterated, time and again, the pressing urgency of building the Ark—a fortress that will not only save your family business from imminent floodwaters and the relentless deluges that lie ahead, but also serve as a beacon of continuity, unity, and prosperity for the generations that will inherit your legacy.

The Ark, an emblem of sagacity, calls upon you to take action, ensuring that your family's dreams and legacy continue to shine brightly, unwaveringly, for all time.



The Five Dimensions of Family Business that Must Work Synchronously

1. Agreements

- a. Family Constitution
 - i. Family Constitution
 - ii. Family services
 - iii. Succession plan

2. Ownership

- a. Shareholders agreement
- b. Holding structure
- c. Legal documents

3. Business Process

- a. Corporate governance
- b. Professionalization
- c. Dynamic portfolio evolution
 - i. Business portfolio
 - ii. Capital composition and structure
 - iii. New business development

4. Wealth Management

- a. Investment office
- b. New opportunities
- c. Legacy assets
- d. Governance

5. Foundation

- a. Philanthropy
- b. Third-party foundations

Together, these dimensions fortify the Ark, ensuring that it is not merely a symbol of preparedness but a bastion of resilience and continuity for your family's legacy.

Important Questions to Ask to Facilitate Family Business Harmony

• Shared Purpose

- As a family, what is our purpose for doing business together?
- Do we want to continue to be in business with the family for the next five years?
- If Dad is gone, do we still want to continue for the next 10 years?
- I do not see myself in the family business in the next 15 years. By that time, Dad would be no longer around. I will definitely sell my shares.

• Shared Values

- As a family, do we have well-defined, clear values to shape how we live and work together?
- Do we consistently abide by the values we have defined?
- Have we agreed on what we want to accomplish as owners over the next five years?

Qualities of Great Family Businesses

1. Clarity and alignment

- Compelling vision and clear priorities
- Communication and alignment throughout the organization

2. Defined roles and responsibilities

- Promotes accountability for decisions
- Alignment of organizational structures to business objectives

3. Work processes

- Robust decision-making processes linked to effective business processes
- Strategic placement and implementation of key metrics and information

4. People and performance

- Professionalization
- Adaptable performance management framework
- Merit over inherit



In a business, there should be less talk about harmony. Instead, owners/operators must talk about rules, KPIs, metrics, and performances.

- Prof. Enrique Soriano

Steps to Professionalization

1. Define the Family's Role

- a. Agree on the need to professionalize and invest in real talent.
- b. Clarify each member's vision for the company's future.
- c. Define each generation's specific role.

To clearly define its role, the family must articulate the founder's vision, values, and the sources of the company's distinctiveness, e.g., value for money, service, and innovation.

You must identify which elements of that distinctiveness must be retained in order to ensure continuing competitiveness. (**What is the family's powerful secret sauce?**)

2. Strengthen Governance

Governance should be addressed at these levels, each of which must be clearly defined and consistent with the others.

- a. Family
 - The family must decide how it will be governed and how it will manage its relationship with the business.
 - Two bodies of governance:
 - i. Family assembly - deals with a broad set of family alignment issues
 - ii. Family council - a smaller body that deals with the family's relations with the business
- b. The Board and/or Advisors
 - Invite non-family members to join its board of directors to gain access to executives and specialists who are **objective, unemotional, fiduciary-driven**, and capable of providing valuable insights that are in the best interest of the family business.
 - To clarify the mandates of family and non-family members, it is important to define the board's role in relation to the family, the business, and other entities.

Six Pillars of Professionalism

1. Attract, develop, and retain great family and non-family talent
2. Ensure that the organization can always make timely big decisions
3. Strengthen family discipline and commitment to the business
4. Respect the management hierarchy and empower employees to make decisions
5. Create systems to ensure consistently high performance and fairness
6. Guard your core values at all cost

Key Takeaways



1.

Too much family conflict is never good, but it can be equally destructive to have too little conflict. You must find a middle ground of healthy and constructive conflict in order to achieve a sustainable path forward.



2.

Don't settle for "fake harmony"; embrace constructive conflict.



3.

Understand the way major conflicts happen, and veer away from blaming certain individuals for conflicts triggered by 'shocks' to the system.

Key Takeaways



4.

Too much of anything can cause problems, so only apply conflict management strategies if it is necessary to avoid complications. Keep in mind that each strategy has its limits.



5.

Mr. Kevin Tan's journey stands as a testament to the truth that genuine leadership is born from the trials and tribulations of self-made success, rather than being solely an inheritance based on blood ties or privilege.



6.

While familial influence or any other influential ties can provide support and guidance, the road to genuine leadership is not simply paved with opportunity.



7.

You have one name; it takes a lifetime to build it but mere seconds to destroy it. Live a life of integrity.

Key Takeaways



8.

Adversary number 1 would be your own flesh and blood.
- Kevin Tan, CEO, Alliance Global Group Inc.



9.

Trust the people you hire and acknowledge that you have chosen capable individuals who can contribute significantly to the company's goals.



10.

Learn to fend for yourself and remove any expectations that you should be accorded by your parents or elderly in a special manner.



11.

Regardless of the quality of your idea, it is essential to present it with due respect and proper articulation. How an idea is communicated significantly impacts its reception and potential for acceptance.

Key Takeaways



12.

Compensation should reflect individual contributions fairly.



13.

Establishing a professional management team for your family business is crucial as they stand as frontline problem solvers operating on the ground and driving substantial initiatives.



14.

Future generations should gain external experience before joining the family business.



15.

Core values and structured processes are key to harnessing family members' potential.

Key Takeaways



16.

Prioritize a "Business First" mindset.



17.

Family focuses on governance, ownership, and strategic decisions, while professional talent manages daily operations.



18.

Appointing a singular decision-maker clarifies authority, streamlining decision-making processes.



19.

You can never manage your business from the grave. Early planning is key for successful succession and business longevity.

Key Takeaways



20.

The two main enemies that threaten the very survival of family businesses are the **Founding Generation's Reluctance to Change** and the **Next Generation's Sense of Entitlement**.



21.

Family members must agree on the need to professionalize and clarify their vision for the company's future.



22.

Strong governance structures align family values with business goals, ensuring a cohesive approach to decision-making.



23.

Great family businesses exhibit clarity, defined roles, efficient processes, and performance focus.

Key Takeaways



24.

New leaders and future generations must not only understand but also actively possess a high level of Adversity Quotient, which refers to the resilience, adaptability, and ability to thrive in the face of mounting challenges and uncertainties that business founders typically possess.



25.

By inviting non-family members to join the BoD, you gain access to executives and specialists who are **objective, unemotional, fiduciary-driven**, and capable of providing valuable insights that are in the best interest of the family business.

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