

# Your Family Business

Succession as Your Final Act  
to Perpetuate Your Legacy



## PROF ENRIQUE M. SORIANO

Resource Speaker

May 2016

RBAP Annual National Convention

RADISSONS BLU HOTEL

CEBU CITY

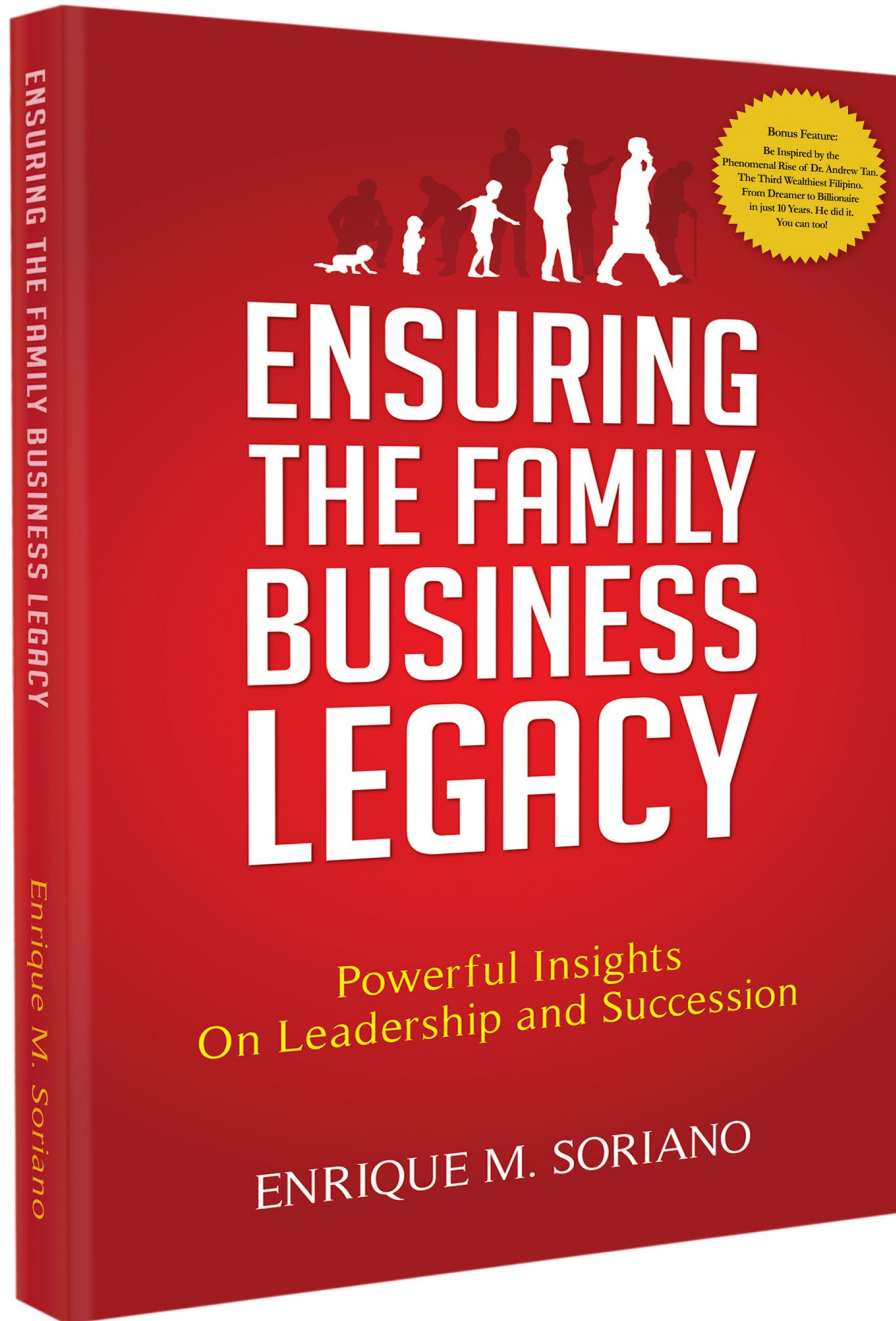


- Has occupied various CEO positions and sits in 22 Boards
- Executive Director AA Real Estate Advisory
- Turnaround Advisor W+B Advisory
- Book Author on
  - Family Succession
  - Business Turnaround Strategies
  - Service Quality Modeling
- Corporate Receiver
- Family Business Advisor
- IPO Advisor
- Columnist, Asian Journal US
- Business Adviser and Speaker in Vietnam, Malaysia, China, Indonesia, UK, US





# Forbes BILLIONAIRES LIST 2015



ENSURING THE FAMILY BUSINESS LEGACY

Enrique M. Soriano

# ENSURING THE FAMILY BUSINESS LEGACY

Powerful Insights  
On Leadership and Succession

ENRIQUE M. SORIANO

Bonus Feature:  
Be Inspired by the  
Phenomenal Rise of Dr. Andrew Tan,  
The Third Wealthiest Filipino.  
From Dreamer to Billionaire  
in just 10 Years. He did it.  
You can too!

**“WHY DO I NEED SUCCESSION  
PLANNING? I’M VERY ALERT,  
I’M VERY VIBRANT, I HAVE NO  
INTENTION TO RETIRE”**

**SHELDON ADELSON**



# ENSURING THE FAMILY BUSINESS LEGACY

Learn how to successfully pass the torch from one generation to the next as renowned ASEAN family business coach Prof. Enrique “Eric” Soriano III shares his insights on how families can ascertain the continuity of their businesses with great success.

## Prof. Enrique M. Soriano III

- Known as the “Family Business Coach” in the ASEAN Region
- National Agora Awardee for Marketing Excellence
- Book Author and Professor of Family Business and Governance
- Every year he delivers more than 250 talks in Asia and North America.



**14 JUNE 2016**  
**10:00AM-4:00PM**  
**HAROLDS HOTEL**  
Seminar Investment: **P6,900.00**

To reserve seats, please call Che or Jeric  
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# Rationale

**IMPORTANT**

Family owned companies face some challenges in working through their ownership and management transition/ succession. This talk aims to equip visionaries and next generation owners with the tools necessary to ensure their companies' and organizations' success and survival.

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# Rationale

While many businesses that are owned and managed by families recognize the importance of ownership and management transition,

few know where and how to start in developing a governance and succession plan



# AS A FAMBUS OWNER...

- What are your personal and business aspirations?
- Shared vision for the business and family in 2020?
- Where will you be in your biological life cycle?
- At what stage will you allow family members to join in the business life cycle?
- What innovations do you have in the pipeline?
- How do you define happiness and success?
- **When is the right time to handover the business to the next generation?**

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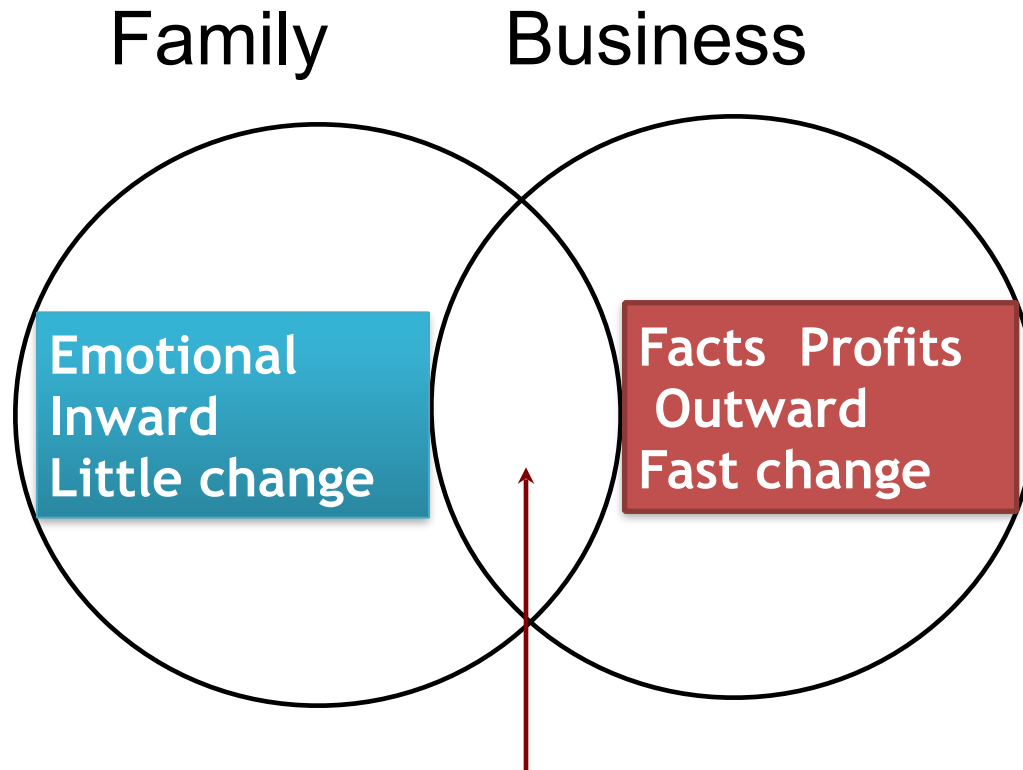
## **FAMILY BUSINESS SUCCESSION PLANNING**

**... “70% of all Family Businesses  
never make it to the second  
generation**

**And 90% fail to reach the third.”**

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# The Family Business System



This is where it gets interesting!

# Ilusorio versus Illusorio





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It's not the first “prominent/wealthy family” inheritance battle waged nor will it certainly be the last, but the on-going estate litigation of Potenciano 'Nanoy' Ilusorio's heirs has emerged as one of the longest, nastiest, most public, no-holds-barred litigious family feuds in Philippine history or in the annals of jurisprudence.

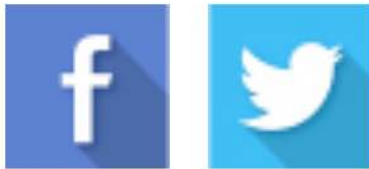




**Isosceles and Leonora Pascual**  
Founders of Pascual Laboratories



# Doctor stabbed dead by brother in Ayala Alabang



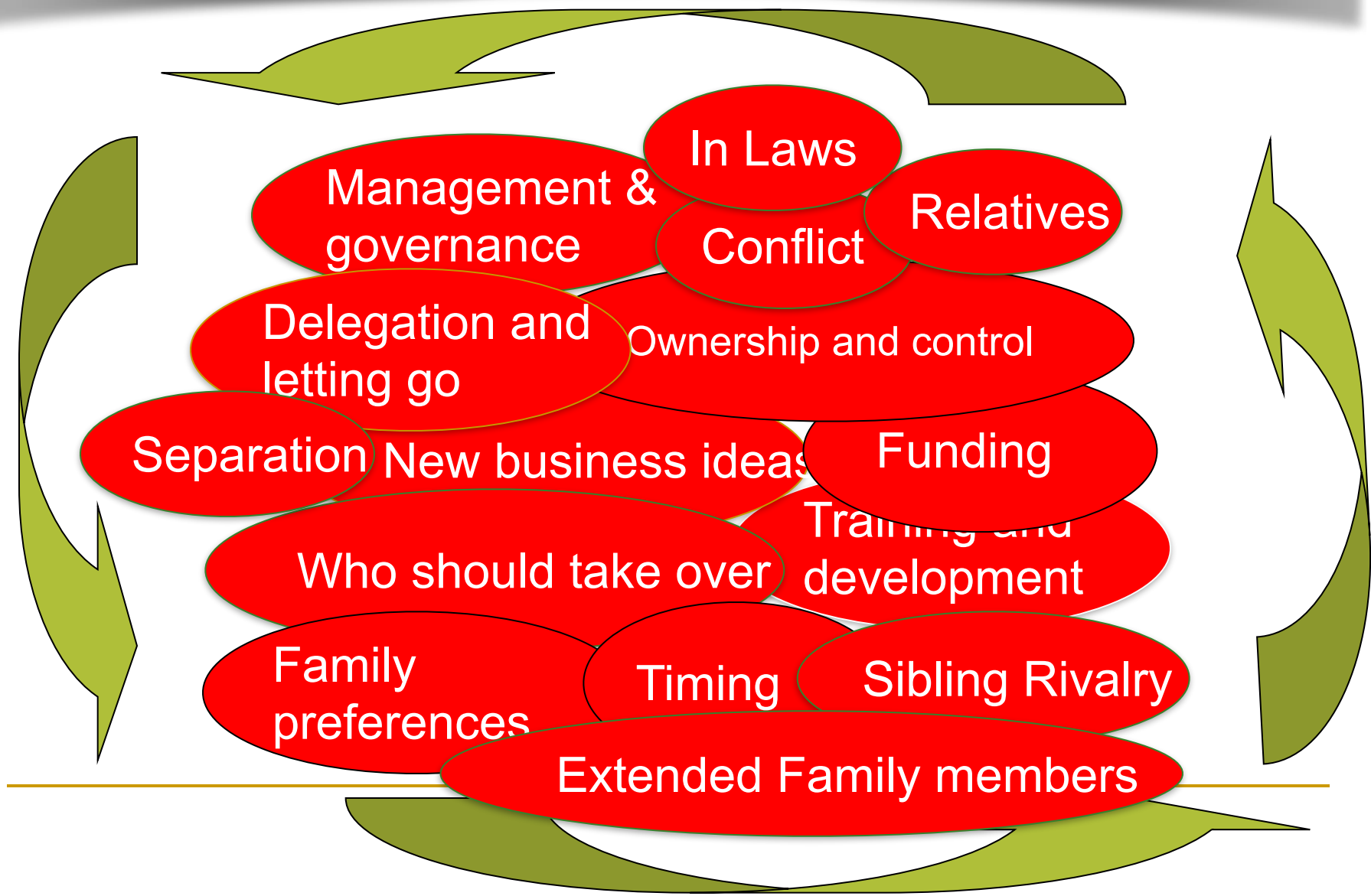
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**Philippine Daily Inquirer**

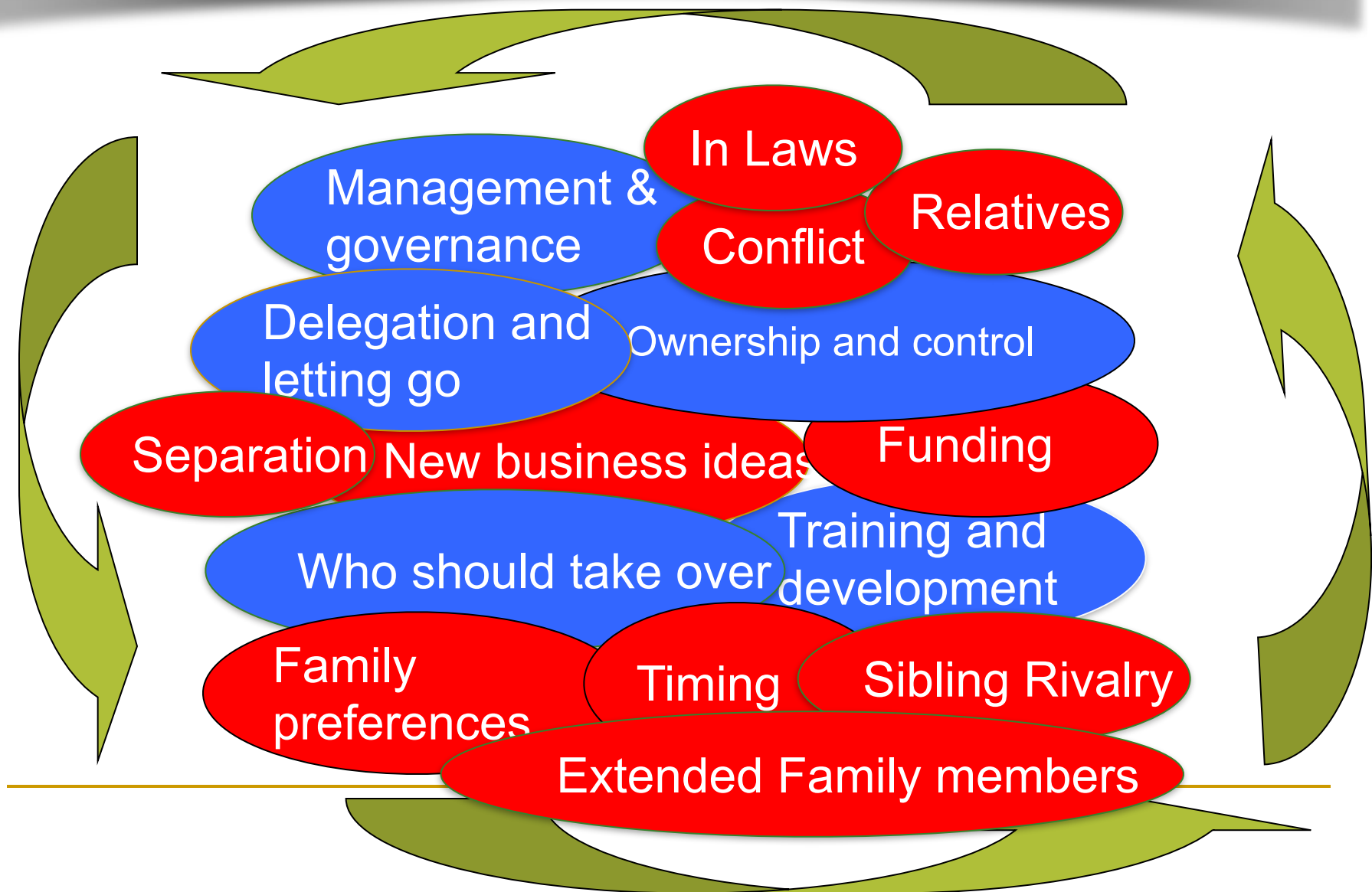
*By: Kristine Felisse Mangunay, September 30th, 2015  
07:53 AM*

A doctor died after he was stabbed around 24 times by his brother in their father's house at the exclusive Ayala Alabang Village in Muntinlupa City Sunday night.

# Family Business Washing Machine



# Family and Business Governance!



# Asian Family Enterprises

- **Most family enterprises are highly dependent on their current leader**
- Major leadership change in family businesses
  - 40% of family business leaders will retire in the next 5 years
  - 28% will retire in 6-10 years
  - 22% will retire in 11-15 years
- **Most have no contingency plan covering the death or the disability of their leader**
- **Only 29% have a succession plan**
- Even in the US, Asian family business owners see the generation of wealth as the primary role for the business.
- Business succession in the family is a lower priority

# **Advantages & Disadvantages of Family Business**



# ADVANTAGES

**FAMILY MEMBERS  
UNDERSTAND EACH  
OTHER BETTER**

# ADVANTAGES

**ORGANIZATION STRUCTURE  
IS SIMPLE AND EFFECTIVE**

# ADVANTAGES

**FAMILY MEMBERS  
ARE COMMITTED**

# ADVANTAGES

**FAMILY MEMBERS  
HAVE A SOLID  
INFORMAL TRAINING**

**DISADVANTAGES**

**MIXED INTERESTS**

# DISADVANTAGES

**POOR PERFORMANCE  
NO ACCOUNTABILITY**



# DISADVANTAGES

**MANAGEMENT THATS  
FULL OF EMOTIONS**

# DISADVANTAGES

**LACK OPENNESS**

# DISADVANTAGES

**RIVALRY BETWEEN  
FAMILY MEMBERS**

# DISADVANTAGES

**LACK OF BUSINESS  
CONTINUITY OR  
SUCCESSFUL SUCCESSION**

# What Makes Family Businesses Different

- The presence of family members
- The owner's dream to keep the business in the family
- The overlap of family, ownership, and management
- The competitive advantage derived from the interaction of family, management, and ownership

# THE ULTIMATE CHALLENGE

- A healthy business...
- A healthy family...
- That will continue from generation to generation

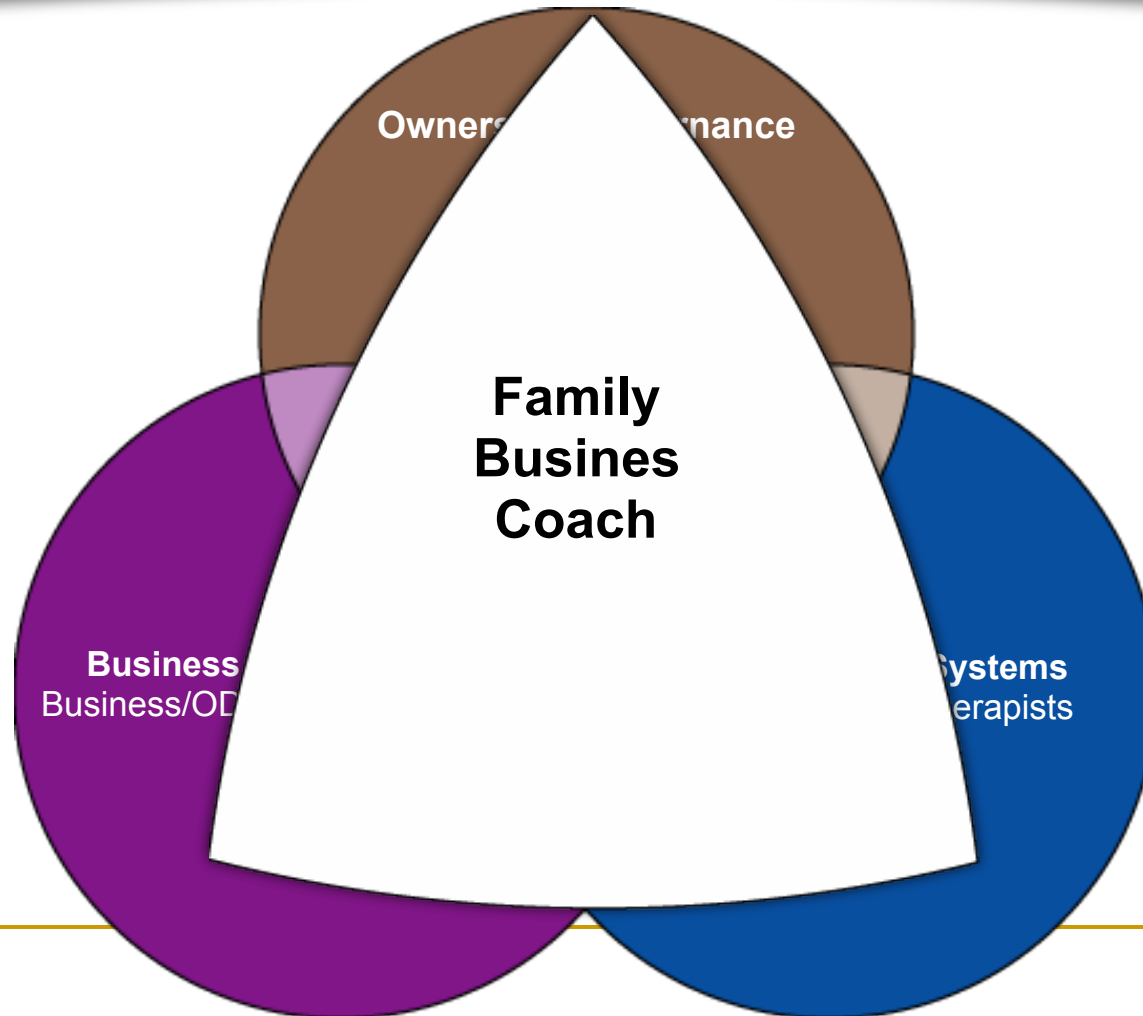


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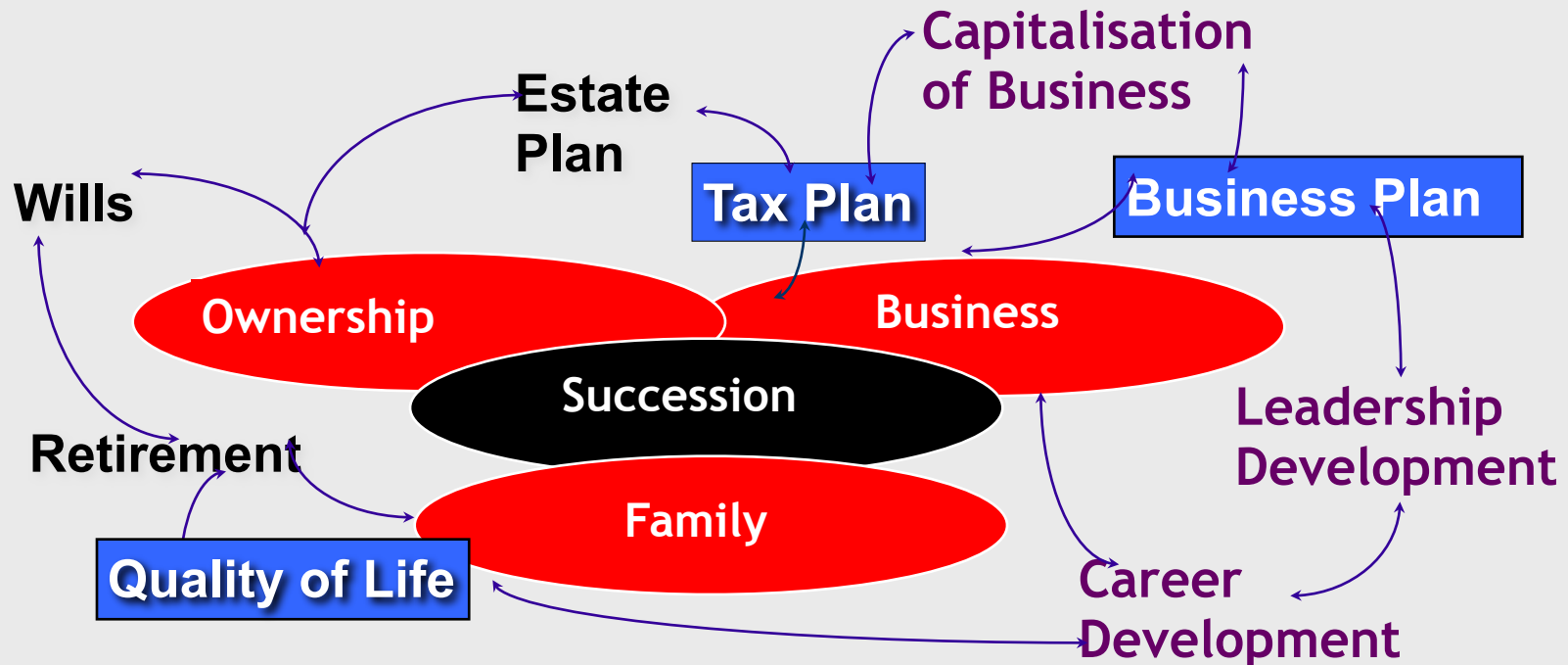
# My Role as Family Business Advisor

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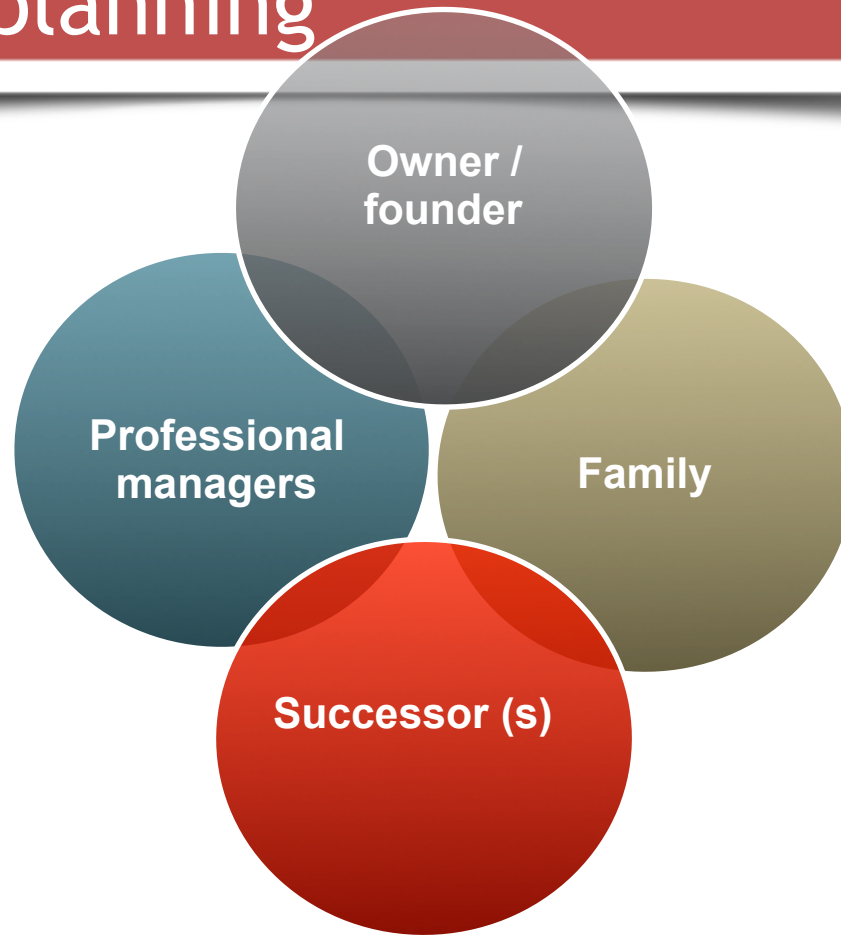
# Role of the Family Business Coach



# The Succession Conspiracy



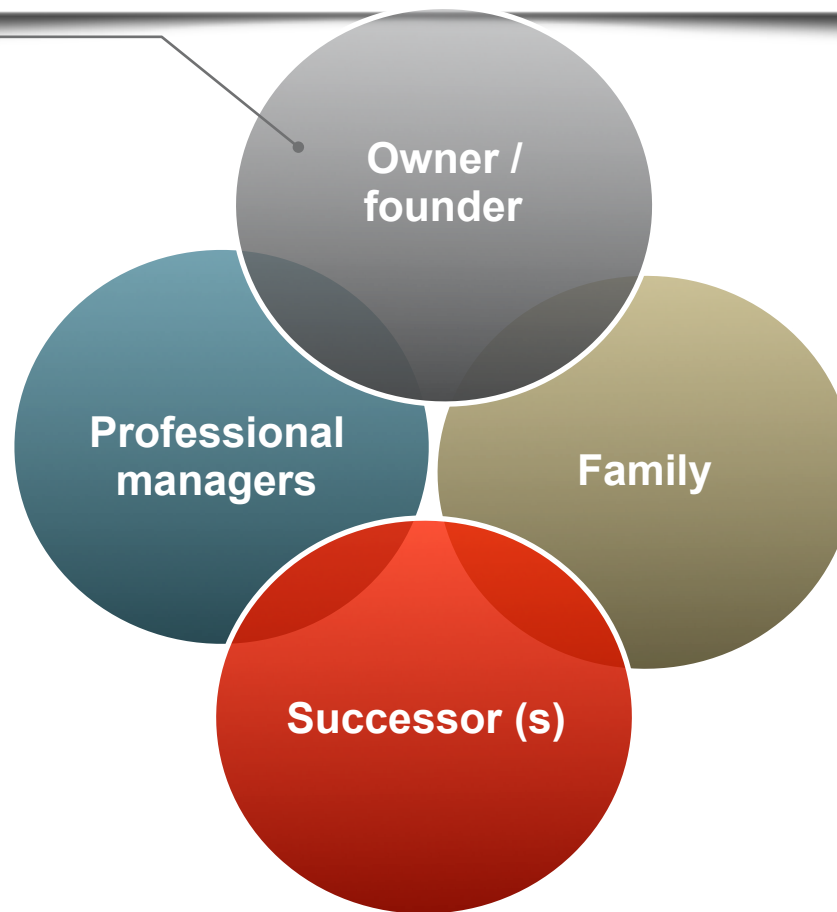
# Four stakeholders have agendas in succession planning



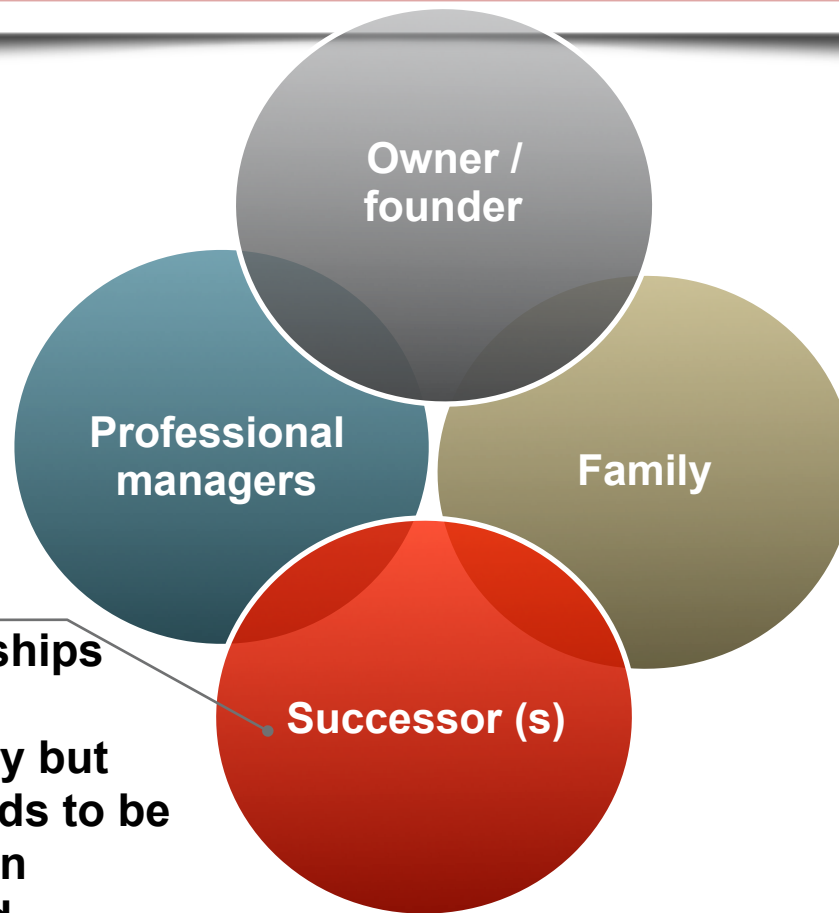
# The founder's inaction may work against successful succession planning

## Founder

- Leaving a position of power is like dying a little.
- Personal loss of identity
- Fear of losing significant work activity
- Jealousy, rivalry towards or lack of confidence in successor
- Inability to choose amongst the children



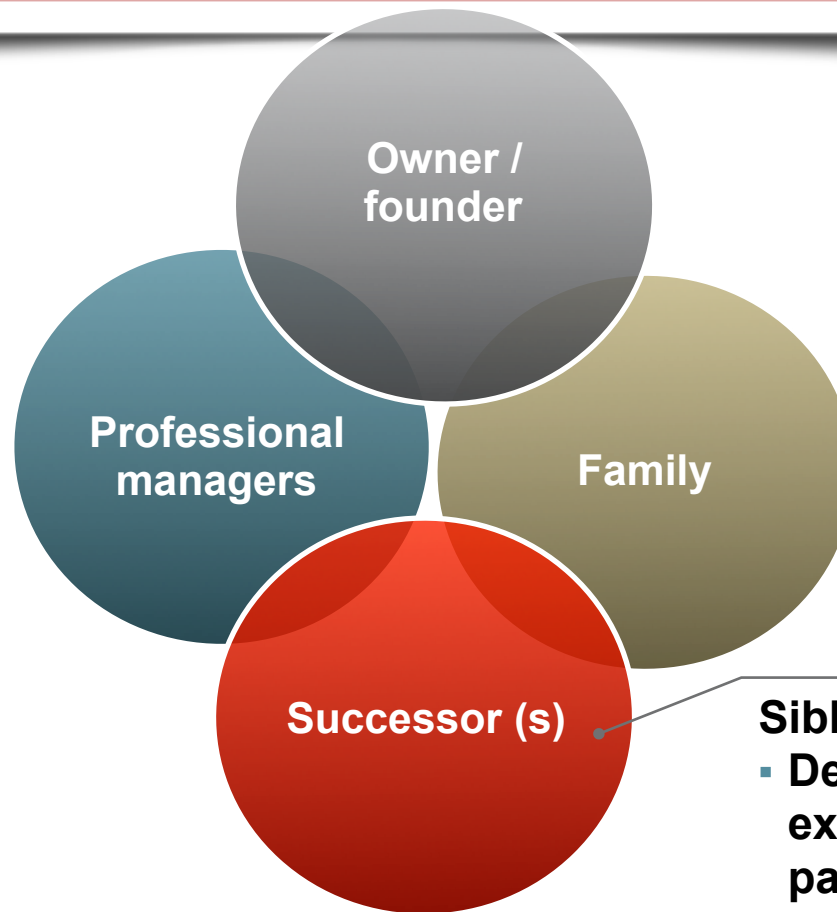
# The complex dynamic of fathers and sons and the siblings is as old as the world



## **Father – Son relationships**

- **Father consciously facilitates son's entry but subconsciously needs to be stronger than his son**
- **Son seeks increased responsibility and authority but finds that his father refuses to cede authority, or continues to call the shots from behind**

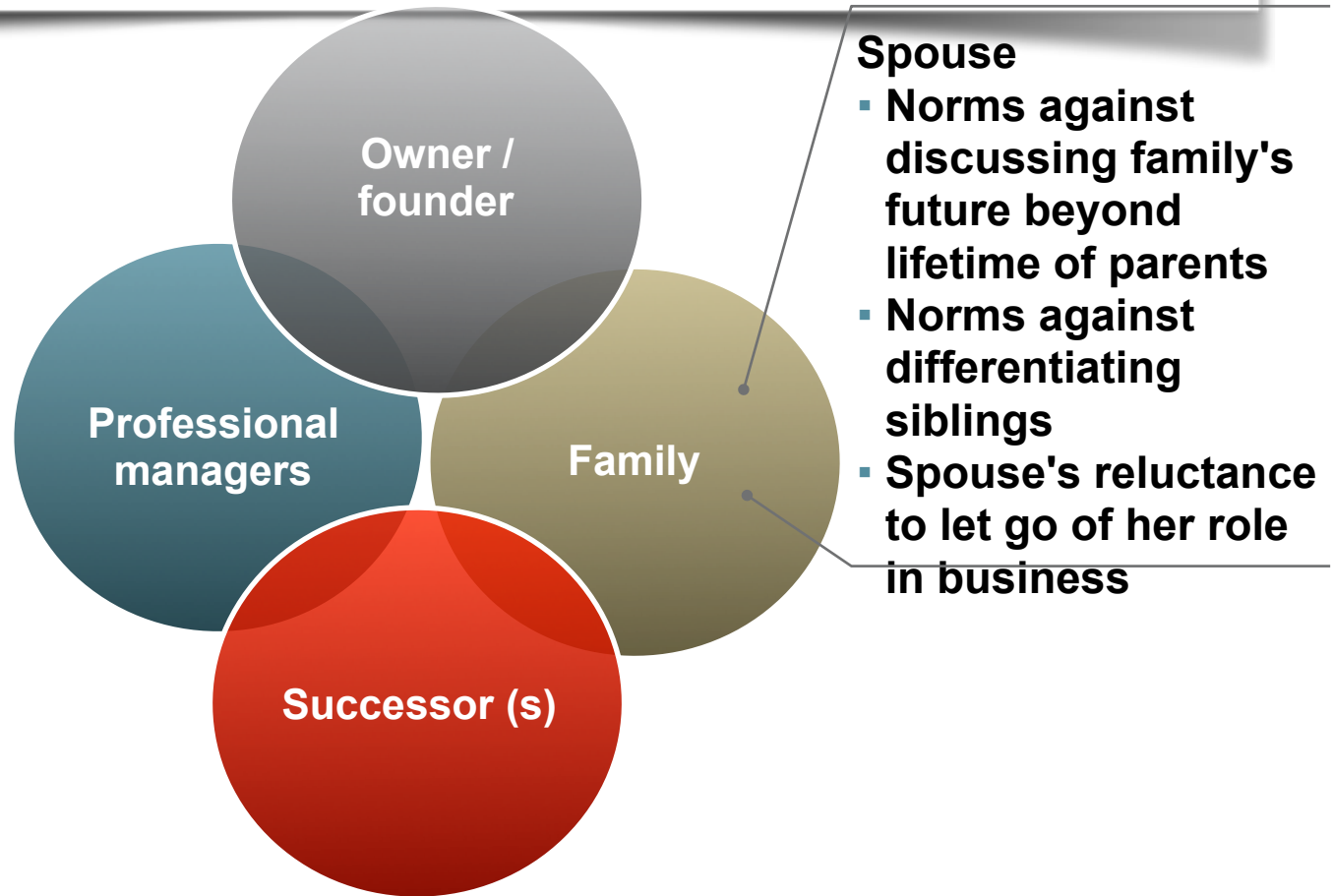
# The complex dynamic of fathers and sons and the siblings is as old as the world



## **Sibling rivalry**

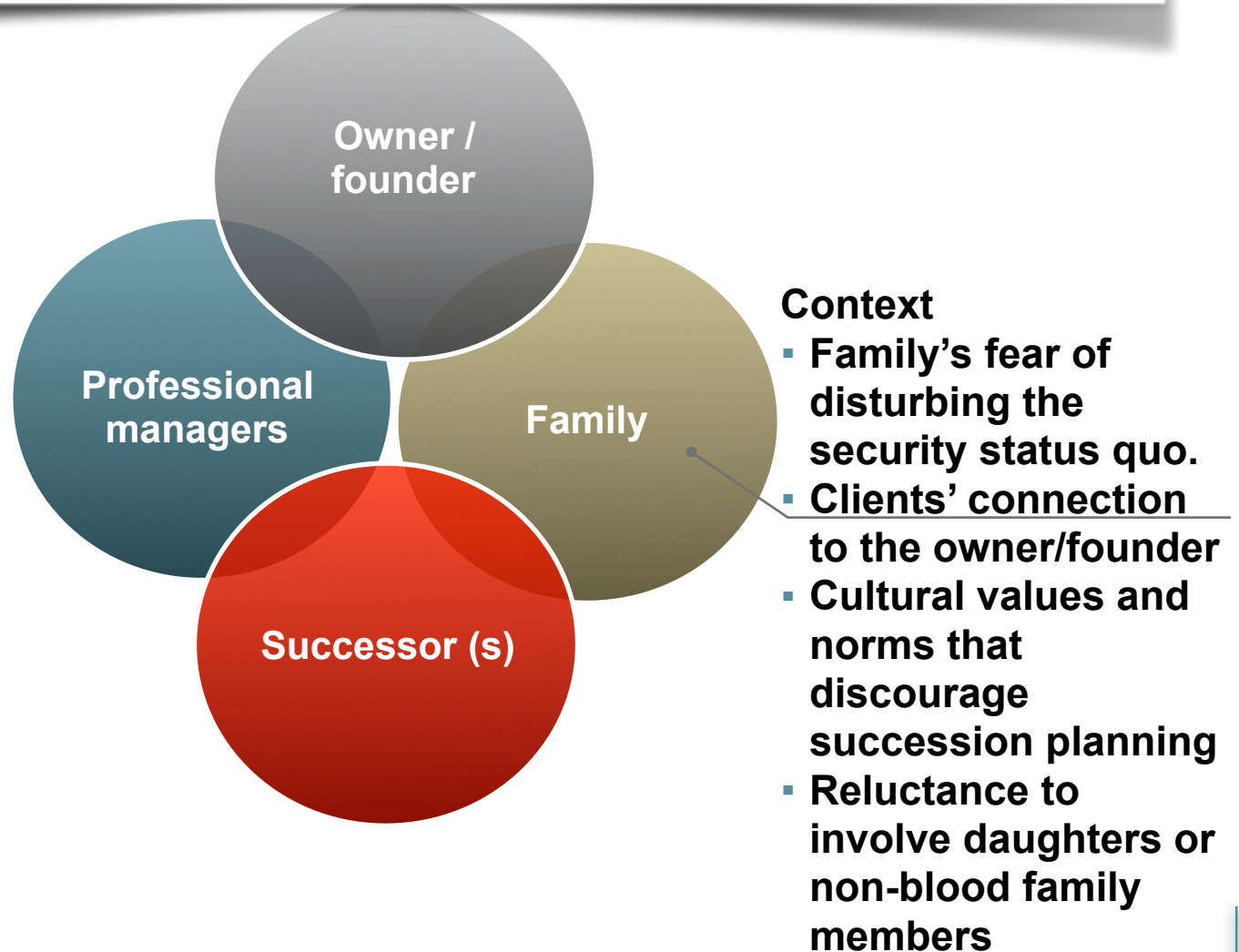
- **Deep desire of children for exclusive love of their parents**
- **Siblings' rivalry is extended into adult life and in the business context**

# The family and the spouse may work against successful succession planning





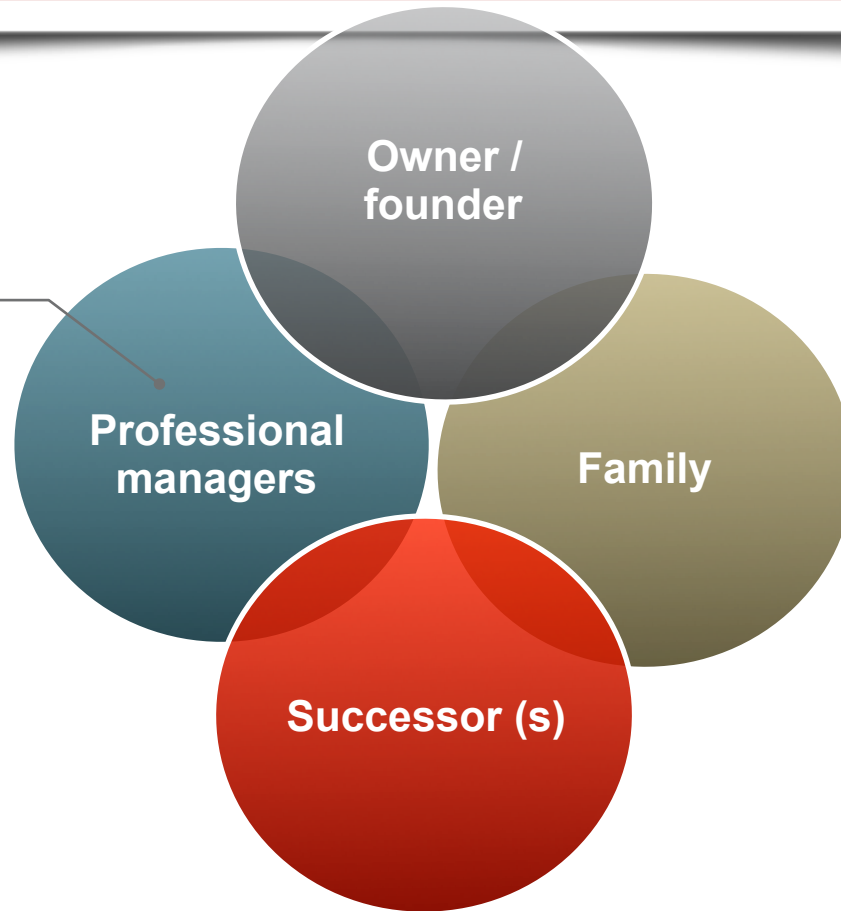
# The family and the spouse may work against successful succession planning



# Employees often are key to the success of the business and may resist or choose to leave

## Key Employees

- Reluctance to let go of personal relationship with founder
- Resistance to change – fear of losing power or even employment
- Fears of differentiation among key managers



# Why it fails? Aside from owner/manager's unwillingness to address his own succession

The four most pressing causes of family business failure are:

- 1** **Convolutd behavior:** Lack of trust and misunderstandings in the family leads to conflict avoidance, lying, hiding things from each other, one on ones, etc.
- 2** **Lack of meritocracy:** The inability of next generation participants to cultivate the requisite skills that match those needed by the current and future business environment
- 3** **Lack of clarity:** The lack of planning and governance at the business, family and ownership levels .Inadequate estate planning - which is lack of concern for each other's welfare
- 4** **Weak or misaligned values:** Lack of common understanding of what values the company and the family lives by, and wants to preserve.

# Planning starts with the founder / owner manager who must decide what he wants?



# The “Do Nothing” Option !

- The least logical
  - The most costly
  - The most destructive
  - *Yet sadly*
  - By far and away the most popular
-

# Planning the family's business future is a process

**Address critical issues relating to family involvement in the business**

- Evaluate the state of family and the business
- Develop long term goals for the business
- Determine policies to govern family-business relationships

**Establish a family council to provide a discussion forum**

- Provide a forum for family members to participate in policy making
- Start tackling the "forbidden agenda"
- Lay down ground rules

**Develop a family constitution which states family values and policies**

- Spell out families shared values and business-related policies
- Record family stance on business, moral, ethical, and behavioral issues
- Spend time sharing stories

**Develop a succession plan**

- Lay out role changes and a timetable
- Make retirement timely and unequivocal
- Communicate to all stakeholders

# If you think...

## Retirement & Death



Are “OPTIONAL” EVENTS  
You’re in the WRONG room!!





PROCRASTINATION  
IS THE THIEF  
OF TIME

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**Start the Process now!**

**You are just one  
heartbeat away...**

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# **WARNING TO BUSINESS OWNERS**

**When a business owner dies or becomes permanently disabled, the business itself may die or be permanently disabled on the same day – not because something wrong was done – but because nothing was done!**

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**You can never  
manage the  
business from the  
grave!**

# My Last word of advice to the Owner/Manager

- **Take care of yourself... and take care of your family.. and your business**
- **Be patient open, and have the courage to have difficult conversations, where you understand and you are understood**
- **Get outside professionals to help you navigate the legal, business, and psychological issues**
- **Put time on your side: start early, start now by talking with somebody you trust**







How old is the world's oldest company?

- 500 years?
- 1000 years?
- 1500 years?



**1,430 Years**

## **Kongo Gumi**

- Founded 578 AD
- Korean Temple Builder
- Based in Japan

**UNITED  
WE CAN SOLVE  
OUR PROBLEMS  
—— and ——  
DIVIDED  
WE HAVE NOTHING**

*Louis Farrakhan  
American Political Leader*





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*Thank you  
very much!*

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