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

Powerful Insights On Leadership and Succession

ENRIQUE M. SORIANO
“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
(02) 556-9707 | 0915-9108686 | 0915-1813057
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BOOK LAUNCHING FOLLOWS AFTER THE SEMINAR

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Rationale

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.
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?
“70% of all Family Businesses never make it to the second generation. And 90% fail to reach the third.”
The Family Business System

This is where it gets interesting!
Ilusorio versus Ilusorio
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.
Isoceles and Leonora Pascual
Founders of Pascual Laboratories
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

- Management & governance
- Delegation and letting go
- Separation
- New business ideas
- Who should take over
- Family preferences
- Timing
- Extended Family members
- In Laws
- Conflict
- Relatives
- Ownership and control
- Funding
- Training and development
- Sibling Rivalry
- Relatives
- In Laws
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 THAT'S FULL OF EMOTIONS
LACK OPENNESS
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
My Role as Family Business Advisor
Role of the Family Business Coach

Family Business Coach

Ownership/Finance

Business Systems

Business/OD Consultants

Family Systems

Family Therapists

Estate Planners

Accountants

Lawyers

Business Systems
The Succession Conspiracy

Ownership  Succession  Family

Estate Plan  Capitalisation of Business  Tax Plan  Business Plan

Wills  Retirement  Quality of Life

Leadership Development  Career Development
Four stakeholders have agendas in succession planning

- Owner / founder
- Professional managers
- Family
- Successor (s)
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

- Norms against discussing family's future beyond lifetime of parents
- Norms against differentiating siblings
- Spouse's reluctance to let go of her role in business
The family and the spouse may work against successful succession planning

- Family’s fear of disturbing the security status quo.
- Clients’ connection to the owner/founder
- Cultural values and norms that discourage succession planning
- Reluctance to involve daughters or non-blood family members
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. **Convoluted 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?

- Do nothing
- Sell the business
- Liquidate the business
- Appoint a family member
- Appoint a caretaker manager
- Appoint a professional manager
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

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

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

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

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

Develop a family council to provide a discussion forum

Establish a family council to provide a discussion forum

Develop a family constitution which states family values and policies

Develop a succession plan

Address critical issues relating to family involvement in the business
If you think…

Retirement & Death

Are “OPTIONAL” EVENTS
You’re in the WRONG room!!
PROCRASTINATION
is the thief
of time
Start the Process now!

You are just one heartbeat away...
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!
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?
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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Special Thanks to:
Thank you very much!

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