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VANSH SHASTRA

Advancing the Knowledge-base to Strengthen Asian Family Businesses
by Asians for Asians

SPECIAL FEATURE

My Grandfather, My Hero

as narrated by Jonathan Kyaw Thaung, Owner, KT Group of Companies

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UPCOMING WORKSHOPS

WORKSHOP 1

Sustaining Family Business in the 21st Century: Nurturing the Seeds of Trust
12-13 October 2017

Trust is a central tenet for ensuring sustainability of family businesses. It impacts transitions, succession planning, risk-taking and overall strategy of the family business. This workshop focuses on discussing and understanding trust-related issues in family businesses and strategies to address the same. The workshop uses a combination of external speaker sessions, case studies, lectures, and discussions with an advisory forum to ensure that participants get multi-faceted perspectives on the issue.

WORKSHOP 2

Glass Ceilings in Family Business: Myth or Reality?

Traditionally, family businesses have consciously or unconsciously favored a male successor. This paternalistic style of leadership can impact the family and the business and create a barrier to an effective and sustainable family business. This workshop explores the impact of the male-centric bias on family business and ways to address the same. The workshop is composed of sessions with women family business executives/owners where they share their drive through the glass ceiling, n addition to case study sessions and lectures led by academe.

WORKSHOP 3

Careers in Family Businesses: Views from Different Lenses

Family businesses today require collaborative effort across both family and non-family members. This requires addressing issues related to career paths for both family and non-family members to ensure sustained growth of the business. This workshop addresses the complexities of career models for family and non-family business members.

WORKSHOP 4

Growing the Family Business in a Global Setting

Family business owners are continuously looking for strategies to successfully grow their business to ensure sustainability. Some of the strategies for growth include merger and acquisition, internationalization, innovative business practices and digitization. This program helps participants explore the challenges associated with such opportunities and various models adopted by family businesses to address the same.

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**BASANT AND SARALA BIRLA
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About Basant and Sarala Birla



From a mere surname, the name Birla has morphed into a known global brand. The business has grown into a legacy heralded by the grit and determination across four generations and a strong foundation based on values and strong business acumen.

ORIGINS

On 9th July 1918, Mr. Ghanashyam Das Birla (1894-1983), a noted philanthropist, freedom fighter, “Padma Vibhusan” (the second highest Indian civilian honor) recipient, and one of the closest associates of Mahatma Gandhi, established Birla Brothers and under its aegis set up a jute brokerage firm and jute mills in West Bengal, thus laying the foundation for the beginning of the Birla industrial group.

Mr. Basant Kumar Birla is the youngest son of Mr. GD Birla, born on 16th February 1921. His journey into the world of business started at the age of 15 in the offices of Birla Jute Mill, Kesoram Cotton Mills and Bharat Sugar Mill. In the next two decades, he set up many companies including Bharat Air, which was later nationalized and merged with Indian Airlines on 9th August 1953, Bharat Commerce and Industries Ltd., Jay Shree Tea & Industries Ltd., and Century Enka Ltd., and acquired various companies including Manjushree Plantations Ltd. and Century Textiles. In 1959, he established the Indo Ethiopian Textiles Shares Company, which was the first major venture by any Indian industrialist. Thus, the family business became one of India’s first truly multinational corporations with a wide array of various business categories.

PERSONAL LIFE

On 30th April of 1942, Mr. Basant Kumar Birla married Madam Sarala (1923-2015), the daughter of freedom fighter Mr. Brij Lal Biyani. She came from a very emancipated family and was very well educated. She studied at Fergusson College and was an active sportsperson of repute especially in ‘Kho-kho’ and badminton.

The union of Mr. Basant Kumar Birla and Madam Sarala Birla became a partnership that shaped the dynamics of the BK Birla group. The foundation they laid, based on strong Asian family values, enabled future generations to bring the Birla legacy to greater heights. Mr. Basant Kumar and Madam Sarala raised three children; a son, Mr. Aditya Vikram Birla (1943-1995), AIM Governor (1991-1995) and founder of USD 41 Billion Aditya Birla Group; and two daughters, Mrs. Jayashree Mohta and Mrs. Manjushree Khaitan (current Executive Vice Chairperson of Kesoram Industries), to whom they passed on the Birla family values of honesty, dependability and hard work

Apart from the business, Mr. Basant K. Birla and Mrs. Sarala Birla are both very active and well known in community outreach initiatives for promoting social causes.

My Grandfather, My Hero

as narrated by

Jonathan Kwang Taung

Owner, KT Group of Companies

Jonathan recalled the 2008 cyclone that devastated the township where his grandfather grew his business. Cyclone Nargis was the worst natural disaster that Myanmar had ever experienced. In over two days, the Ayeyarwady Delta region, with 37 townships, was severely devastated. The official count placed the death toll at 84,000 and missing individuals at 53,000. Altogether, 2.4 million Burmese suffered as a result of the cyclone.

“I happened to be in Singapore. At 1:00 AM my friend called and asked if I was willing to visit the disaster area. I replied, I’d love to come.”

Jonathan Kwang Thaung was a young entrepreneur who shuttled between Myanmar and Singapore. Still single at 27, he led quite a comfortable life. Educated in the best schools abroad, Jonathan returned to Myanmar in 2002 after graduating from Babson College. He worked for his father in hardship posts until he decided he wanted a change in pace. Armed with a bright idea, connections that he built while abroad, and three loyal workers of his father, he started his own venture, spending half his time in Myanmar and half in Singapore. Leaving his country at a tender age of 8 to attend boarding school in the United Kingdom, he didn’t really understand Myanmar until May 2008.

“At six in the morning, we go off and the first place we go to is a town called Wakema. We get out of the car, and I’m in a town I’ve never been to in my life... I’ve never heard of in my life. We go to these monasteries and we see these screaming children, screaming parents who have been brought inland to have shelter. You try to talk to them and no one is talking. Everyone is just in hysteria.”

The visit to the next town had an even greater effect on Jonathan.

“The next town we go to is a town called Myaungmya. The place is famous for being the jute hub of the country. Jute is where our family started. I got taken because I was sent to India and Azerbaijan and I hadn’t had the chance to come to these places. Then, all of a sudden... this is the factory that grandfather built... this is the school your grandmother built, and now this is where everyone had been sheltered... these are the things we need.”

It was a turning point for Jonathan. Just 12 hours earlier, he was lying in bed, ready to get up to a normal day, and then...

“I’m not superstitious to an extreme but I know when something’s happening.”

That was not yet the worst.

“We kept driving and we get to the coast. It’s just wreckage. You know... 15 miles before we reached the place, we had to put up the windows because of the stench of death. When we get there, it’s a picture that will live with me for the rest of my life. Children are gone. Parents are gone. You know, husband and wives have been split. The things which matter... to all of us... are just wiped up because of a natural disaster.”

And so, Jonathan’s mission to help Myanmar was born.

“So, I go back. My driver was so tired, I had to drive back myself. We drove back at three o’clock in the morning. We arrived home at around 7 or 8. I needed to communicate with the world but the telecoms network was down except for the ministry. So, I go to the ministry. I’m sitting in

the chief engineer’s room, and I’m writing to the world. There’s something going on here but you guys don’t know about it. My target is to raise a hundred thousand dollars so I can buy food, water, blankets... so that I can buy these different supplies and take it back in the next few days. The next morning, I had \$300,000 commitment. Then you know, all these, we set up teams, we set up forces, set up logistics. The government was in a bit of PR disaster but it was worse than what they had announced. So, they weren’t too open with the line. Outside people didn’t know how bad it was. And then the dream I had since I was young, to start a foundation, took off from there. And then the next week when I went back, I was told, the town where your grandfather was born is four hours by boat from there. It’s not accessible by road. I’m so excited, my grandfather was my hero. And I’ve been there when I was young but not since I came back from school.”

“...my belief is when you’re going for the good things, don’t worry about your life. Anyone who has to take care of you is taking care of you.”

“So, I got up, arranged more supplies. We still had excess donations left. We send someone in advance to find out what they need. We go to the same town the week before. Leave our car, and there’s no boat. So, we have to hire a fishing boat where you either sit at the hull of the boat or you sit on the deck holding on to something. I sit on top. And to get to this town, to go out of the river, into the sea, into the Bay of Bengal, and then wrap around. So, it’s dangerous also. But my belief is when you’re going for the good things, don’t worry about your life. Anyone who has to take care of you is taking care of you. So, next thing we turn up, the whole village is waiting for us. The whole village! And next thing, they’re shouting my grandfather’s name. He was someone who came from this village, brought to Yangon, became successful in Yangon, and became the most successful businessman in this country and gone as far as London. He was established in London. He would go to London, invited to Buckingham Palace. This is a guy who started from nothing. It is here where everything started.”

Jonathan recalled the last message that his grandfather relayed to him through his mother.

“I was with him for three years before my grandfather passed. It happened quickly. We went on a routine check up to London to check his liver. When we got there, the doctors told us that it was serious. At that time, it was hard to leave the country so it was only my mother and myself beside him. One of the last things he told my mother before he passed is to tell my father – his son and tell me - his grandson... ‘when he makes a dollar, to save 30 cents, donate 20 cents, and spend 50 cents. If he does that, he will always be successful’. I was the last one to see him.”

Fate did change Jonathan’s life. Attention was drawn to Myanmar and many NGO’s began to enter the country pour in resources. A few months after Nargis, Jonathan attended a social event at the British Club and on that

fateful Friday evening, he met his future wife who was working for Save the Children. The encounter solidified the foundation and the rest, he says, his history.

In 2008, Jonathan established **KT Care Foundation** in response to Nargis, in honor of his grandfather, his hero. The non-profit organization conducts “emergency response and supports the economic development, capacity building, social and well-being of people in need”.



<http://ktcare.org/en/home/>

CORPORATE HIGHLIGHT



The **KT Group of Companies** traces its history to the jute industry, where the family business first began. Long before Myanmar was placed under state control, U Kyaw Thaung began farming, baling, grading, and knelling jute along the delta river. Thus, when the government privatized state operations, the Kyaw Thaung family was given the opportunity to revive the industry. From there, the family built an entire logistics network, from warehousing to shipping, that opened even more business opportunities.

The entry of the third generation in the early 2000s allowed the KT Group to expand in directions beyond agriculture and trading. Armed with an entrepreneurship degree from Babson College, a wide network of connections, and a few years of intense internship under his father, Jonathan Kyaw Thaung decided to establish Capital 8, an investment company. This allowed him to participate in capital-intensive projects that the country needed. Thus, the KT Group found itself heavily invested in communications, energy, and real estate development.

Being at the right place in the right time, the KT Group more than flourished. In 2013, the organization was recognized by the World Economic Forum as the first company in Myanmar to become a member of the Global Growth Company. Forum members commit to work together to find global solutions to economic development.

REAL ESTATE

KT Development Co. Ltd.

INVESTMENT

Capital 8 Pte. Ltd

Shwe Let Yar Co. Ltd.

Myanmar Telephone Co. Ltd.

OIL & GAS

Sun Apex Holdings

KT Services and Logistics Co. Ltd.

KT Energy Co. Ltd.

AGRICULTURE

Kyaw Htet Kyaw Co., Ltd.

TRADING

Ayar Swan Ah Co. Ltd.

MWG Ltd.



EDITORIAL

Embracing Family in Family Business

by **Professor Dr. Andrea L. Santiago**

The Asian Institute of Management was honored with the generosity of Hon. Mr. Basant Kumar Birla and his late wife Hon. Mrs. Sarala Birla who, in 2012, established the Basant and Sarala Birla Professorial Chair in Asian Family Corporations.

In the last five years, the endowment allowed the Institute to undertake several activities within the country and the region in collaboration with international experts in the field of family business research. We have undertaken primary and secondary research and continue to do so, to inform our education programs. Participants of our family business electives and training workshops benefit from original, relevant, and practical insights gained from the experiences of family business owners and managers in the region.

We would like to reach out to you, who may have missed out on some of our activities and who may be interested in becoming involved in conversations about strengthening Asian family businesses. It is with this in mind that we have embarked on a quarterly newsletter that we call, **Vansh Shastra**.

वंश शास्त्र

vansh

shastra

What is **Vansh Shastra**? Both words have Sanskrit origin. Vansh means “family dynasty” while shastra means “compendium.” Thus, we would like to build with you a compendium of literature that speaks of families who work together in businesses and who would like to build legacies for the common good. We hope we can become a platform through which you hear stories of other family business owners and also share your own.

We have lined up and continue to line up several activities, such as breakfast forums and workshops, to provide a venue where you can actively engage with other family business stakeholders. We hope to see you at one of our activities and be part of the community that celebrates the family in family business.



Inside the CityMart Supermarket, a subsidiary of City Holdings, Inc. / Photo from the CityMart website: citymart.com.mm

Family Businesses in Myanmar

by Maria Rufina Salas and Dr. Shweta Pandey

Myanmar has experienced economic growth across the last two decades with the GDP averaging 12.6% between 2000 to 2008 (Aung, 2016). The growth was affected between 2008 to 2010 due to the impact of Cyclone Nargis. However, several economic policies (i.e. Investment Law and Anti-Corruption Law) were rolled out by the government to improve business conditions, leading to higher foreign investments and resulting in a GDP of 8.4% in 2013 (Trading Economics, n.d.). A report by McKinsey Global Institute (MGI), estimates the Myanmar economy to grow to USD 200 billion in 2030 from USD 45 billion in 2010. A key role in this growth is played by family-owned businesses which account for 83% of the existing enterprises (Aung, 2016).

Family businesses in Myanmar have worked on professionalization, governance and transparency issues using catalysts like the International Finance Corporation (IFC) which apart from helping companies develop better business systems, has provided them with a Burmese translation of the Family Business Governance Handbook. Developing and improving on the systems of these businesses has a great leverage for the development of the Burmese economy (Anh, 2016).

The role of family businesses in Myanmar has been recognized by several forums across the years. In 2015, Managing Director Win Win Tint was declared one of the 50 Most Powerful Businesswomen in Asia. Win started working for City Mart Holding at the age of 21, and has witnessed the growth of her family business since then (Gluckman, 2015). From their first grocery store in 1996, City Mart now has 150 outlets, bookstores, and fast-food

chains (Gluckman, 2015). Win attributed this success to the knowledge of the local consumer market and adaptation of world-wide best business practices by the company to the local needs.

Another well-known family business owner is Nang Lang Kham, Executive Director KBZ of Kanbawza Group of Companies, who received the Promising Young Banker Award from The Asian Banker in June 2017. The KBZ Group was established in 1994 by Aung Ko Win, father of Nang. From 2013 to 2015, the Kanbawza Bank has been number one in the list of top income taxpayers (Kyaw, 2016). Nang also reiterates Win's views and believes that the KBZ Group is becoming more competitive by adopting the systems and procedures of international groups. She defines this process as "glocalisation" where the group explores the strategy of international groups, and identifies how it can fit the local business culture in Myanmar. Although from different academic backgrounds, the immediate family of Aung Ko Win make up KBZ Group's board of directors. In May 2017, the KBZ Group announced the appointment of a non-family member, Mike DeNorma as one of their chief executive officers. Mike was entrusted with the role due to his international bank expertise and experience in working with his own family-owned business (The Irrawaddy, 2017) thereby exemplifying their move towards glocalisation.

...the housewives should be encouraged to work with family-owned businesses... which help serve as a solution for Myanmar's married women who are usually not allowed to work outside their homes.

The increased employment opportunities provided by family-owned businesses, for both relative and non-relative members, is in line with efforts to innovate besides driving employment in the country. Daw Cho

Cho of Nay Pyi Taw shared with Myanmar Times that the housewives should be encouraged to work with family-owned businesses. She referred to these as "cottage industries," which help serve as a solution for Myanmar's married women who are usually not allowed to work outside their homes (Thant, 2017).

Despite the growth and contributions of family-owned businesses to the economy, the businesses face some issues and short-comings. Usage of old and slow technology, poor infrastructure and limited knowledge on business ethics persist (Harrison, 2014). These shortcomings bring businesses to unsatisfactory production and supply.

Dr. Aung Tun Thet, President U Thein Sein's Economic Advisor, shared in a Family Business Workshop with UK Financial Services Taskforce that a healthy corporate governance should be implemented, which will lead to both maintaining virtues of family culture, and the incorporation of outside expert advice (UK-MFST).

The concept of sustainability or sustainable development persists with thriving family businesses in Myanmar. As organizations continue to prioritize long-term development, it complements the growth of the Burmese economy. Such consistent ongoing efforts within their local businesses, and move towards sustainability, drives the achievement of the country's goal of reintegrating themselves with the global economy.

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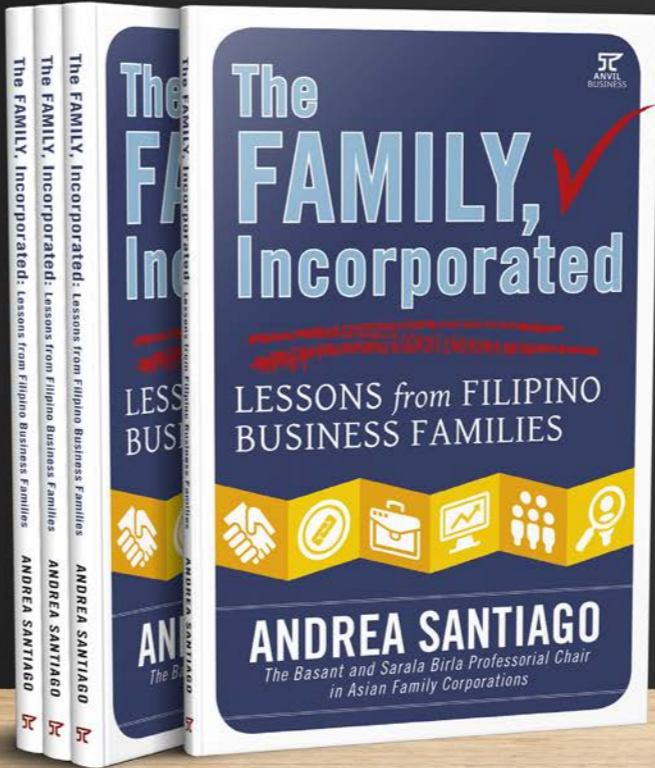
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The Family Incorporated: Lessons from Filipino Business Families

ANDREA SANTIAGO



"...an excellent guide into the complex and nuanced world of family business."

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Corporate Social Responsibility in the Asian Family Firms

by **Beatriz Cecilia D. Montenegro**, **Maria Rufina Salas**, and **Dr. Shweta Pandey**

Corporate social responsibility (CSR) is defined as the use of resources and expertise by firms to promote societal objectives and well-being (Bowen, 1953). In family firms, corporate social responsibility traditionally stems from familial values. Family firms are often more inclined to reach out to their market because they opt to foster an inclusive environment in their businesses. Botero and Feliu (2016) state that for family firms, family-oriented motives pertaining to family identity, legacy, and ways for managing their wealth are the key factors that drive their social welfare objectives. The wealth shared through corporate philanthropy activities acts as an indicator of the harmony and dynamics between family members and employees. Additionally, such efforts by the firm also result in wealth benefits in the form of tax benefits for the employees and the firm (Botero & Feliu, 2016). Bergamaschi and Randerson (2015) state that CSR helps infuse business growth with family values and keep family ties strong, resulting in a sustainable business.

CSR also helps family firms engage their stakeholders, consequently keeping their business immersed within the changing demands of their consumer market (Sharma, 2013). Showcasing corporate philanthropy also serves as a marketing strategy, enabling family firms to become more accepted in the community they grew up in (Breeze, 2009). Meeting with the locals enhances the firm’s local knowledge base which further results in business sustainability. Furthermore, family businesses are cited as “natural philanthropists” (Breeze, 2009). The idea of bringing your family to your business is compared to bringing one’s home to work resulting in a family-oriented atmosphere and defining the contours of the corporate culture based on the family values and beliefs. The closeness and connection of employees help enrich the relationship, consequently keeping the business intact. Companies that foster CSR principles in their businesses are recognized as role models of business ethics which thereby increases the organizational attractiveness to job applicants (Alcantara & King, 2011).

In Asia, corporate social responsibility is not necessarily seen as a component of a company’s business model but is more of, “good deeds performed for worthy causes” (UN EBAC & ICBC, 2014, p. 11). According to Vissen (2009), these causes come from a wide variety of CSR issues that each of the countries face thereby, resulting in a variety of CSR activities. For example, Asian developing countries may focus on CSR related to catastrophes as they experience a larger percentage of the same. Visser (2009) also notes that ethical business practices root from religious beliefs and traditions, particularly seen in Hinduism, Buddhism, Islam and Christianity. The religious teachings promote and practice humanitarian action and harmony with their community.

With family-owned businesses, practices of CSR are often correlated with the cultural values practised by their predecessors as this is their way of introducing both their corporation and dynamics as a family. For example, family businesses in Indonesia, are stated to work on the principle of *gotong-royong* which essentially means working together harmoniously to develop reciprocated assistance for both companies and their market (Sharma, 2013). The practice of *gotong-royong* started in the local communities, and later adapted to the corporate institutions. By paralleling this with family firms, the intrinsic concept of *gotong-royong* can easily be transmitted to methods for corporate philanthropy as it is simply bringing a practice from the locale, to a larger consumer market.

The foundation of the CSR concept in the Philippines family firms is argued to be driven on the concept of *bayanihan*, which revolves around involvement and accountability with members of one’s community (Sharma, 2013). Sharma (2013) notes that this dates back to when the Church was seen as an institution that members of the community could approach for assistance. Although the term *bayanihan* is rooted from the word, *bayan*, which translates to community or town, the concept can still be seen in families. Members of the family support each other and come together, especially in times of need. Moreover, *bayanihan* shows that when someone’s neighbor—in this case those who are not involved in the family firm—is in need, his or her *bayan* comes together to offer whatever they can to help.



Bayanihan in the Philippines. A group of men carry their neighbor’s house on their shoulders during a move. / Photo from Wikimedia Commons, CC BY-SA 3.0

In India, the practice of *jugalbandi* is seen in family firms. Often used in the field of music, the term *jugalbandi* translates to forms of duet or performances by two people. In the corporate setting, Indian businesses put up a separate non-government organization dedicated to their CSR (Ramachandran, Schmidheiny, & Jha 2009). To fund the NGO, family firms yearly pledge a specific

amount from their surplus. To relate this with the concept of *jugalbandi*, the family firm works together with their NGO to address social needs, relating to themes discussed by family members. These firms often hire professional help or partner with organizations that dedicate themselves to the same service, and serves them a larger incentive for the company’s prestige. Cooperation within the philanthropic organization and company, as well as with their external partner organizations, feature the family-corporate *jugalbandi* in India. Moreover, corporate philanthropy in India is also conducted as a form of “social investment,” at the same time as a service to their God (Ramachandran, Schmidheiny, & Jha, 2009). They believe that these practices would return to them as blessings to their company.

Japan has one of the oldest histories of family firm enterprise which were principally organized as *zaibatsu* or otherwise known as influential industrial conglomerates that originated in pre-modern Japanese era. The Japanese sense of group membership, sense of duty, personal relationships, loyalty and the responsibility to protect each other (Husted, 2014; Wokutch, 1990) is ingrained in Japanese culture and society. This practice views employees as stakeholders, with a form of protection like welfare benefits. The interests of permanent employees and major shareholders are clearly favored over those of other stakeholders (Wokutch, 1990). The in-group/out-group concept has implications on how CSR is operationalized in Japan because it affects who is considered as a stakeholder and what priority does one group of stakeholders have vis-a-vis the other (Wokutch, 1990). The concept of collectivism, group orientation and conformity in Japanese society prevails as a form of CSR that is naturally rooted in tradition and social norm.

Fernando and Almeida (2012) examined the MAS Holdings company in Sri Lanka and found that they practice strategic CSR because they consider it beneficial to their financial interests and because they consider it “a kind and generous thing to do” that is aligned with their stakeholders’ needs. Family firms of South Korea have played a large role in propelling its economic industrialization. The concept of CSR evolved from a state-led export oriented policy which depended on the cooperation of large family conglomerates (*Chaebols*) who were given preferential treatment and government protection (Cho, Chun, & Choi, 2015; Kim & Kim, 2016; Nam, 2011).

As Asian family businesses open up to global trade, they are influenced by CSR practices of the west which now move from simple philanthropic efforts to making their businesses profitable and sustainable.

For example, South Korea’s transition to post-industrial CSR occurred with the demand to meet labor rights and environmental sustainability. This resulted in greater demands for CSR especially with the *Chaebol* structure. Nam (2011) argues that CSR in Korea is characterized by a mixture of developmental CSR of the past and the competitive CSR of emerging stakeholder capitalism. Furthermore, it is seen more as philanthropic acts committed by *Chaebols* to improve public perception but commitment to shareholder rights remains limited.

Similarly, Amann, Jaussaud, and Martinez (2011) contend that the economic modernization and industrialization of Japan post World War II has changed the organization of the *zaibatsu*. Traditional *zaibatsu* conglomerates have now transformed into *keiretsu* or a group of companies and subsidiaries (Gabrowiecki, 2006). This paved way for the adoption of Anglo-American CSR principles. Japanese

family businesses moved away from a relationship-based model which is inclined to protect workers to a market-led and shareholder model (Amann, Jaussaud, & Martinez, 2011; Krukowska, 2014).

The increase of globalization from family firms choosing to connect with external partners and companies may affect the traditionalists of the country. With the founders of family-owned businesses modelling CSR practices after their family values, this may be compromised as they are to choose between tradition and modernization. Although these new practices have their benefits, it may affect the harmony within the workplace and between family members. Family values and traditions may begin to interfere when discussing directions and themes for corporate philanthropic activities. The question for sustainability and adaptability of the CSR methods should be addressed for future strategies.

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Diversity in Family-led Enterprises: Challenge? Opportunity?

Family Business Dialogue, Yangon, Myanmar / March 2016



AIM Officials Interview Chinese Businessmen

Consul General Julius Caesar A. Flores (center) with Professor Dr. Maria Andrea Santiago (left) and Ms. Lolita Shaila Lolita Shaila P. Safaee Chalkasra (right). Professor Santiago, Basant and Sarala Birla Professorial Chairholder, Asian Institute of Management (AIM) and Ms. Safaee Chalkasra, Research Manager, visited Xiamen and interviewed Chinese entrepreneurs who are doing business in the Philippines. / November to December 2016



Family Business Fundamentals

A private workshop in cooperation with Equicom Group and AIM School of Executive Education / March 2017



16th International Family Enterprise Research Academy (IFERA)

Prof. Dr. Ginny Santiago attends the 16th IFERA in Zadar, Croatia to co-present a paper entitled **“What makes non-family employees innovate? Linking personality and job satisfaction to non-family employees’ innovative work behavior”** together with Dr. Hazel Melanie Ramos, Michael Mustafa, and Joerg Fuhrer. / June 2017

CASE STUDY

How to Continue the CSR efforts?

by Christine Joyce L. Sumaway and Dr. Shweta Pandey

Mahala Sterling, the owner of Oliver Sterling Corporation, was deliberating with her eldest daughter, Hannah, on a new corporate social responsibility (CSR) initiative that she was trying to roll out for the illegal settlers on the land that the firm owned.

Mahala said, “As part of our CSR efforts, I am thinking of rolling out a free education facility for the illegal settlers on our property. It will help us in building a good family image and enabling higher trust levels. The settlers will be able to use their added credentials to earn decent salaries and settle in better areas. This will eventually help us to get our land vacated.”

Hannah, Mahala’s eldest daughter and respected advisor, was not convinced her mother’s proposal was the best course of action. She stated, “CSR should not come at the cost of business. Our previous CSR efforts of negotiating with the electric company to provide electricity in the area where the settlers lived led to a fire breakout in the area due to a short circuit while installing the electricity lines. The settlers thought we lit the fire! We even took a compassionate stance and provided them with materials to rebuild their homes.”

Hannah continued, “Even before the fire breakout, as a part of our CSR drive, we put in efforts to negotiate with the water company for supply of clean drinking water facility and even built a big tank for water storage. But our CSR efforts have not yielded any gain on our part. The dwellers are still violent and feel that the family has ulterior motives.” She strongly stressed, “We should just use police force to get the area evacuated!”

Hannah’s younger sister, Lucille, supported her mother’s proposal and emphasized that rolling out more CSR initiatives would help the family deal with the illegal settlers. In Mahala’s defense, she stated, “In the long run, CSR will yield better returns for the company. CSR is known to help create a win-win situation for all businesses.”

Mahala was in a dilemma. She valued Hannah’s opinion and had similar views. She wondered how she could convince Hannah to agree to rollout the education program as part of their CSR initiatives.

FAMILY BACKGROUND

Mahala grew up in a big family and was responsible for her taking care of the needs of her siblings during the early stages of her life. Thus, she developed a sense of accountability for the family welfare. Ever since, she had always been generous and compassionate towards others. It became her practice to give out envelopes with money to those in her community during festivities like Christmas and even for wedding celebrations in the community.

Mahala married Oliver Sterling and lived a simple life, raising 12 children. Only seven of her children are still alive; Hannah, the eldest, followed by Emily, Lucille,

Olivia, Pauline, Grace and Naomi. Three of her children (Hannah, Grace, Pauline) pursued medical and allied services, while another three (Emily, Olivia, Naomi) took business related course. Lucille, on the other hand, opted to be different and took up an undergraduate degree in social work.

BUSINESS BACKGROUND

Mahala sold fresh vegetables which her husband harvested in their small farm. The couple generated a stable amount of income to support their family. They also were able to save some funds and invest in adjacent parcels of land. Both wanted to use lease the parcels of land for commercial spaces to other people. The leasing rental could act as an additional source of income to support the needs of the family. However, Oliver died before they could put their plans into action.

In 2001, five years after Oliver’s death, Mahala decided to have a building constructed on their idle property and lease spaces for commercial use. Three of her daughters joined her in managing the leasing operations. Emily and Olivia were responsible for communicating with prospective clients while Lucille took care of coordinating with their legal advisors. Her other daughters, Naomi, Grace and Pauline, opted to practice their profession rather than take part in the leasing operations; thus, they were not involved in any business decision making. Hannah, too, was not involved in the daily operations but remained a valued advisor, being the eldest daughter.

The business operated as a sole proprietorship until 2014 when the family decided to incorporate. This was done with a view to avoid any legal disputes with regards to profit sharing from leasing operations. Mahala and Hannah had the lion’s share of the stocks (25% each) since they were viewed as the caretakers of the family. Hannah’s share was bigger than her siblings’ so that she could support her son who had special medical needs. The rest of the shares were divided equally among her siblings. They did not seem to mind.

ILLEGAL SETTLERS

From the moment the couple purchased property in the urban area to the time Mahala decided to have a building constructed, the property remained idle with no fencing. It was only at that point when the family discovered that there were illegal settlers.

The household heads of the illegal settlers were mostly contractual construction workers and therefore, had no stable source of income over the year. The average monthly family income varied between \$200 to \$400, which was insufficient to raise their family, let alone pay rent. They relied on their children to earn extra income to support themselves. The Sterling family served notices to the settlers to evacuate the area but that did not make any of the settlers move. The illegal settlers have no place else to go. The settlers claimed that they had been occupying the area long before the family developed the building and



Slums / Photo by Thomas Galvez, Cropped, CC BY 2.0

refused to hold any negotiations with the Sterling family. In October 2011, a fire broke out due to a short circuit during the installation of electric lines in the neighboring squatter area near the Sterling's building. Though Mahala had negotiated with the electric company to ensure proper lighting in the area and considered it a form of CSR, the settlers blamed the Sterling family for causing the fire with the intention to get the area vacated.

Despite their false accusation, Mahala donated plywood, nails, and other materials that the residents could use to repair the damages. She used the donation as a ground to later open negotiations with the residents for gradually evacuating the property without the use of police force. However, her moves were met with stiff resistance from the settlers. It was then found out that other informal settlers had built new houses within the area using the excess material that Mahala donated and brought in more families.

In January 2012, Hannah approached Mahala and asked her to take police assistance for eviction of the illegal settlers, instead of relying on the CSR efforts as a means of negotiating and gradually making the residents agree evacuate the area. However, Mahala reminded Hannah that an attempt last year, to negotiate with the settlers had resulted in them getting more violent as they saw police protection given to the family as an intimidation act. The settlers had then tried to run over Emily on the road. Hence, as per Mahala, using police force to evacuate the area would result in further violence. The residents might resist any genuine efforts by the family to negotiate in the future.

Despite the events, Mahala continued her efforts to help the community. In 2012, she tried to hire the construction workers for construction work in the building which the family owned. Some of the residents stated, "You (the Sterling's) are only trying to buy us (residents) out so we'll surrender our homes." Some residents worked for a while but were brainwashed by others in the locality to stop working for the Sterling family.

Mahala continued to persist, hoping that driving CSR initiatives would help gain the residents' trust and make them open to negotiate.

FAMILY CONFLICT

The debate between Hannah and others continued. During a family meeting, Olivia and Emily agreed with Mahala that

gaining the trust of the settlers through new CSR initiatives would eventually help the family get the land back. Emily supported Lucille's view. "People in the squatter area have families like us. We need to understand they need a safe home. While currently, allowing the informal settlers to continue residing within the area by not using police force will not be beneficial to the business, the remaining undeveloped land will continue to be idle and cannot be utilized for business purposes. It is better we put in our CSR efforts and gradually ensure they become self-sufficient to generate a stable income. This would help in them looking for better jobs outside the area and automatically they will leave."

Hannah was adamant. She believed that the residents would continue to decline their offer of providing educational and training programs because it seemed like bribes to them. She strongly valued the family's legal right over the land over the probable effect towards the squatter area dwellers.

"The people living in the squatter area cannot simply deny our family's legal right over the land. They knew it was illegal to squat there to begin with. We still did our part and helped them at every step but they only feel more against us each time."

Mahala tried to persuade Hannah. "Remember that your father always emphasized that the family should work on the principle of *bayanihan* and therefore, focus on cooperation with the community to achieve goals. Providing the residents free education and training programs will enhance the skills of the illegal settlers and eventually provide them opportunities to earn more. Then, it will be easier to negotiate with them and have the land back without any harm coming to either side. If we only think about ourselves and use police force, we and our future generations may lead a life of fear where someone or other one would cause trouble and make us suffer!"

The siblings were silenced. Yet, Mahala was not sure whether Hannah would support her decision on the new initiative.

Was her new initiative in the best interest of the company in the long run?