Volume 2, Issue 2 / First Quarter 2019
A Quarterly Newsletter

ASIAN INSTITUTE OF MANAGEMENT
50
1968 — 2018

BASANT AND SARALA BIRLA PROFESSORIAL CHAIR
IN ASIAN FAMILY CORPORATIONS

VANSH SHASTRA

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

SPECIAL FEATURE

Abaca Weaving: The Art of Filipino Craftsmanship

By **Carolina Varela**

2

ISSN 2599-3798
9 772599 379003

UPCOMING EVENTS

Family Business Asia Pacific Symposium 2019

The Family-Business Dyad: Enlivening Stewardship and Leadership

24-27 April 2019

Co-organized with the University of Western Australia and the University of Nottingham Malaysia, it will be held at the Asian Institute of Management. The symposium will bring together academe, students in family business, and family business owners and managers to address and share their experience on family leadership, innovative organizational practices and sustainable management of family firms. Participants will have access to Master Class, lectures, and a business forum where representatives of family business corporations share their experiences on stewardship practices and business canvas sessions.

For inquiries, please contact the **BIRLA Team** at **birla@aim.edu**.

VANSH SHASTRA वंश शास्त्र

is a quarterly publication of the Basant and Sarala Birla Professorial Chair in Asian Family Corporations, 3/F Eugenio Lopez Foundation Building, Asian Institute of Management, 123 Paseo De Roxas, Makati City, Philippines 1229 | ISSN # 2599-3798

ASIAN INSTITUTE OF MANAGEMENT

BASANT AND SARALA BIRLA PROFESSORIAL CHAIR IN ASIAN FAMILY CORPORATIONS

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 Madam Sarala Birla are well-known for their community outreach initiatives and promotion of social causes. Mr. Basant K. Birla is the Chairman of the Birla Education Trust, Shree Krishnarpan Charity Trust, BK Birla Institute of Engineering & Technology (BKBIET), and various educational trusts and institutes such as the Sangeet Kala Mandir and Birla Academy of Art & Culture. Madam Sarala had pioneered girl education and was actively involved in the running of several schools in different parts of the country till her demise. They established more than 30 leading educational institutions that enabled more than 50,000 students in India and abroad to have access to formal schooling.

Today, Mr. Basant Kumar Birla remains the Chairman of the group; his daughter, Mrs. Manjushree Khaitan, Executive Vice Chairperson of Kesoram Industries Ltd., manages the business affairs aided by a team of trusted professionals. She ably carries forward the BK Birla group mission of adding value to stakeholders namely customers, shareholders & society with integrity, commitment, zeal, seamlessness, and speed.

MAIN STORY

Abaca Weaving: The Art of Filipino Craftsmanship

By **Carolina Varela**

Martino Sison, president of Simor Abaca Products and second generation of this family business, shares with us his story. This 41-year-old family firm from Albay produces goods made of abaca, a plant native of the Philippines that is conquering market share as raw material in products such as wallcoverings, window shades and rugs. The Philippines currently is the world's largest producer of abaca. Martino's father, Ricardo Sison, started the family business in 1977 in a partnership with Morin. "He was not specifically looking for it, but he was telling me, by the grace of God, that he was able to find something that moved him," says Martino about the origin of the company. In fact, Ricardo Sison refused to take his father's firms and decided to start his own business. According to Martino, "at first, (his father) was looking to other things. He never really had a specific interest in the abaca business."

Simor Abaca Products was named after Sison and Morin. They contributed to the initial partnership with capital and with knowledge about abaca weaving, respectively. Although the partnership ended up two years after, the original name was maintained.

This family business focused its strategy on international markets since its early beginnings. Their first big costumer was Silk Dynasty. "The local market was never really the target," shares Martino. "What my dad envisioned, what he was really doing, was getting money elsewhere and putting it in the Philippines." Currently, its main clients are in the United Kingdom and in North America. For this Filipino family firm, the value of its company lies on the quality and on the traditional way of weaving this

What my dad envisioned, what he was really doing, was getting money elsewhere and putting it in the Philippines.

unique product: "I have always believed in another quote from my father: "You get what you pay for." I still think that holds true of abaca products. If you complain about any of our products and we determine that it has been our fault (and we never avoid determining that it is our fault), we will replace it 100% for free." The firm buys the raw materials, i.e., the fibers extracted from the abaca trunk when it is already mature. The whole trunk is used, so nothing is wasted. By this time of the year, tree sprouts are already growing. The process can be repeated about five times before the plant needs to be replaced.

One of the main challenges referred by Martino was related to the design of their products: "(…) one thing that we noticed was that what we find beautiful here in the Philippines does not necessarily apply to other countries. So, there was a bit of a struggle in the beginning to produce certain themes, because what he thought would sell abroad did not really sell in terms of design." To overcome these challenges, they hired designers.

Currently they target buyers that have their own design, acting merely as suppliers: "my biggest challenge, I guess, is trying to explain to the clients that we are not a company that actually designs these things. We like to work with them and make things unique for them. Then we also have a hard time explaining to them the whole concept of hand weaving," shares Martino. For this reason, the firm adopted a niche marketing strategy, focusing on the value of its products: "for my father, the name was never really important. As long as people see our product has quality, that was good enough." Recently the firm has been also investing in digital marketing – communicating directly with its clients abroad through digital platforms.

Simor Abaca currently employees 19 staff members in total, four in the central offices in Makati and 15 in the farm located in Albay, reaching up to 50 weavers to meet high demands. All the weavers are contractual workers. Their commitment to the local community surpasses the business: some of the latter live inside the compound or they live around the compound. "And some of them actually do get free electricity and free water (…)," shares Martino. One of the biggest challenges faced in production is the decreasing number of weavers: "there was a

(…) some of our employees actually live inside the compound or they live around the compound. And some of them actually do get free electricity and free water (…)

time when everything was handwoven, but now the number of weavers who can actually weave is decreasing. They are becoming a very small minority. I am sure probably in the 1800s they used to sew their own clothes, but now you can go to a shop and buy a shirt instantly," explains Martino.

This family business is transitioning to the second generation and some of the employees have even transitioned to the third generation. This process involved Martino since his childhood "…when I was a child, all my summers were spent at our factory." Although he was never pressured by his father to pursue the family business, Martino confessed his father "always used to mention, 'If you want to…'" This made him decide to take over the family business after his brother opted to move on to other concerns and his father shared with him his plans of slowing down. "I handle the day to day operations, but not major decisions. At the end of the day, the final decision still lies with him being the sole board member (Ricardo Sison)," he explained.

Like in other family businesses, everything depends on setting the right balance between the family and the business and this balance also resides in acknowledging the role of each generation: "(…) it is more of the second generation having to humble itself and accept the fact: just because we studied more or because we are more into the times, does not necessarily mean we should forget what has been done in the company in the past."

For now, we can rest assured that we can count on the future generations to run Simor Abaca Products: "(…) I want this business to survive another forty years, if that is possible," shares Martino.

CORPORATE HIGHLIGHT

Simor Abaca Products

SIMOR ABACA PRODUCTS 1977

> Simor Abaca Products has its main factory in the province of Albay which is part of the Bicol Region located in the southeastern part of the island of Luzon in the Philippines. Simor is the single largest Philippine-based manufacturer of handwoven Abaca wallcoverings with one-of-a-kind designs exported worldwide. They have been crafting finest quality Abaca wallcoverings, sunshades, rugs, and tapestries since 1977. Their biggest clients are in United Kingdom and North America.

EDITORIAL

Succeeding in International Markets: The Challenges of Filipino Family Firms

By **Carolina Varela**

International expansion is a great challenge for family firms. The success of their internationalization depends on important drivers such as organizational resources and capabilities, strong social and business networks; and family harmony (Scholes, Mustafa, & Chen, 2015). The last is a particularly important factor and the one that makes family firms unique. Family governance presents itself as a major challenging feature of the strategic planning of an internationalization process. In fact, studies suggest that the higher the number of family members in the board of a firm, the higher the risk aversion.

To endure family governance, trust must be developed among the family members and future generations must be involved adequately. New generations are better positioned to contribute with innovation, knowledge, and updated strategic ideas, although this update learning process can be eased by hiring professional executives.

As regards family-owned Small and Medium-sized Enterprises (SMEs), the lack of information about the international markets brings additional uncertainty to the already observed bottlenecks and challenges in terms of family ownership, as well as size and capital. Different strategies can be pursued to enter into the foreign markets, such as building strategic partnerships, acquisition of a local firm, or retailing.

Particularly for family-owned SMEs, gaining shareholding of foreign companies potentiates access to new risks, but also rewards, including resources and markets in that market. Family businesses can be publicly or privately owned. About 120 of the 275 firms listed in the Philippine Stock Exchange may be considered family corporations (Herrera, as cited in Macaraeg, 2018). Despite the sizeable portion of family-owned corporations publicly-owned, we have no exact figures regarding their presence in the international markets. Known Filipino family-owned corporations competing and enduring in international markets are San Miguel Group, Jollibee, and Ayala Corporation.

Geographical scope and market similarities also tend to be critical for the decision of international markets and partners. The internationalization process means willingness to change the mindset of the family owners. Some of the strategies might look intrusive by the owners. In the end, trust in the next generation and a highly-skilled capital of professional advisors can facilitate in taking the next steps towards internationalization.

Filipino Family Firms: Making it Big, One Country at a Time

By **Allanne Mae I. Tiongco**

"After years spent languishing behind its neighbors, the Philippines is finally catching up with its fellow Asian tiger economies as it posts some of the fastest growth rates in the world" (Yap, 2017). Notably, in 2016, the country posted an annual gross domestic product (GDP) growth of 6.8%, which was among the front-runners in the Asia-Pacific region. Although it slowed down to 6.7% in 2017, the country remained the 3rd fastest-growing economy among emerging market economies in Asia (Philippine Statistics Authority, n.d.). The Philippines, coined as the next "tiger economy" among Association of Southeast Asian Nations (ASEAN) member states, is still on track to surpass recent economic highs, as stated in "The Report: The Philippines 2017" (Oxford Business Group, 2017).

This slowdown is connected to the: i) election-related spending in 2017; ii) inflation resulting from rising world energy and commodity prices; and, iii) to the depreciation of the Philippine peso (de Vera, 2018). Nonetheless, the manufacturing industry performed remarkably for the 5th straight year, growing at 8.6% in 2017, from 7% in 2016. The agriculture industry recovered 4.6% during last year after two straight years of nearly flattening out. Meanwhile, the services industry managed to pull out a 6.7% pace, albeit slower than its 7.4% the year before (Philippine Statistics Authority, n.d.).

Credit Suisse Research (2017) estimates that the Philippines is the 11th country in the world with the highest number of family businesses. On the other hand, out of 275 firms listed in the Philippine Stock Exchange, around 120 firms are considered as family corporations (Herrera as cited in Macaraeg, 2018). In that same report (Credit Suisse Research, 2017), the Philippines ranked 25th in terms of average market capitalization of family-controlled firms at $5.60 billion, and 6th in Asia Pacific (excluding Japan). Thus, some of the top business conglomerates in the Philippines are managed by families. Given all these figures, one could assume that Filipino family businesses have been at the back of Philippine development. This finding was also presented by Johansson, Sjögren, & Bjuggren (2009).

But because of globalization, family firms can no longer confine their operations to the local market. Hence, in order to be more competitive, they tend to expand overseas and penetrate new markets (Kelley, et al as cited in Mitter, et al, 2014). *"Furthermore, the increased competition not only on a domestic level but also on an international level has made family businesses think about the possibility of openings into foreign markets as a way of growth"* (Claver, Rienda, Quer, 2008).

Prominent conglomerates in the Philippines include those run by families such as the Ayalas, Gokongweis, and Sys, whose groups operate the biggest network of malls, banks, food and drinks manufacturers, housing developments, and utilities. These are also among the most valuable corporations in the country. "Big businesses, which continue to dominate the Philippine economy, have been riding the economic boom, as shown in the conglomerates' rapidly growing financial muscle" (Teehankee as cited in Tomacruz, 2017). Hence, these are evident in the following family firms:

> **After years spent languishing behind its neighbors, the Philippines is finally catching up with its fellow Asian tiger economies as it posts some of the fastest growth rates in the world**

First, the Ayala Corporation (AC) has been present in the Filipino business community since 1834, establishing themselves in real estate, banking, water, and telecommunications industries. It has also emerged in industries such as infrastructure, energy, industrial technologies, healthcare, and education. Throughout the years, AC has aimed "to meet the Filipinos' evolving demands by providing practical solutions that balance quality and affordability" (Ayala Corporation, n.d.). Notably, its market capitalization and total assets went up to PHP 615 million and PHP 1 trillion, respectively in 2017 (PSE Edge, n.d.).

Second, the San Miguel Corporation (SMC) is also one of the Philippines' largest and most diversified conglomerates. It was established in 1890 as a single brewery in the country. The company has expanded through the years and today SMC has interests in food and beverage, real estate, infrastructure, and power and energy. Notably, SMC has been "help[ing] people enjoy and make progress in their lives through the many products and services that [the] company offers" (San Miguel Corporation, n.d.). SMC's market capitalization and total assets in 2017 grew to PHP 356 million and PHP 1 trillion, respectively (PSE Edge, n.d.).

Third, JG Summit Holdings, Inc. (JG Summit) started in 1957 by operating a cornstarch plant. Since then, it grew its business interests in air transportation, banking, food manufacturing, hotels, petrochemicals, power generation, publishing, real estate and property development, and telecommunications industries. In essence, "JG Summit is one of the largest and most diversified Filipino conglomerates, engaged primarily in businesses that serve a growing middle class with rising disposable incomes" (JG Summit Holdings, Inc., n.d.). Its market capitalization and total assets in 2017 increased to PHP 474 billion and PHP 739 billion, respectively (PSE Edge, n.d.).

Fourth, a shoe store that opened in 1958 is now considered as one of the leading Philippine companies – SM Investments Corporation (SMIC). The holding firm executes operations in retail, banking, property, and equity investments, among other industries. "SMIC fulfills its catalyst role by expanding through its core businesses, generating employment, business activity, and overall progress in its host communities" (SM Investments Corporation, n.d.). Thus, SMIC reported an uptick in market capitalization and total assets to PHP 1 trillion and PHP 960 billion, respectively (PSE Edge, n.d.).

Fifth, GT Capital Holdings, Inc. (GT Capital) started as a bank in 1963. The firm is now a conglomerate, which has developed its presence in industries across banking, automotive, infrastructure and utilities, property development, insurance, and microfinancing. Hence, GT Capital's "current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular" (GT Capital Holdings, Inc., n.d.). In 2017, its market capitalization and total assets were PHP 200 billion and PHP 308 billion, respectively (PSE Edge, n.d.).

Last but not the least, the Alliance Global Group, Inc. (AGI) is one of the biggest holding companies in the Philippines. Since 1994, it has spanned its business activities in food and beverage, gambling, real estate, tourism, and infrastructure industries. "Through the years, AGI has banked on the unwavering commitment of all our stakeholders to sustain corporate growth while contributing significantly to the country's economy" (Alliance Global Group, Inc., n.d.). AGI recorded an increase in market capitalization and total assets to PHP 131 billion and PHP 562 billion, respectively (PSE Edge, n.d.).

Graves and Thomas (2008) said that "Internationalization is recognized as a valuable strategy for organizations' growth and expansion." This is evident in Subido (2017), as these firms have embarked on major regional expansions, such as in the Association of Southeast Asian Nations region. For instance, AC, SMC, and JG Summit have already expanded in Indonesia, Malaysia, Myanmar, Singapore, Thailand, and Vietnam (Philippine Stock Exchange as cited in Subido, 2017). Thus, by penetrating new markets and attracting wider consumers, these family firms have opened more opportunities for their business.

In conclusion, Filipino family businesses have been in the business landscape for decades. What started as a small company, has turned out to be a powerhouse. While the primary focus of almost all companies is to establish and solidify their footprint in the home market, many see the importance of international expansion in the growth of their businesses. "The internationalization pathway undertaken was determined in part by their access to financial resources, as well as their willingness to commit financial resources to internationalization-related activities" (Graves and Thomas, 2008). Sharpened by experiences, these firms have not only survived but have expanded to become conglomerates whose businesses span several countries despite the strong competition from larger, global players – a virtual survival of the fittest in the corporate world. Afterall, in the business jungle, standing out is a matter of survival.

REFERENCES

- Alliance Global Group, Inc. (n.d.). Our Company. Retrieved October 11, 2018, from http://www.allianceglobalinc.com/OurCompany.aspx
- Ayala Corporation. (n.d.). About Ayala Corporation. Retrieved October 11, 2018, from http://www.ayala.com.ph/about-ayala
- Claver, E., Rienda, L., & Quer, D. (2008). Family firms' risk perception: Empirical evidence on the internationalization process. Journal of Small Business and Enterprise Development, 15(3), 457-471.
- Credit Suisse Research Institute. (2017). The CS Family 1000. Retrieved October 11, 2018, from https://www.kreditwesen.de/system/files/content/inserts/2017/the-cs-family-1000.pdf
- De Vera. (2018). PH Economy Expands 6.7% in 2017. Retrieved October 11, 2018, from https://business.inquirer.net/244623/ph-economy-expands-6-7-2017
- Graves, C., & Thomas, J. (2008). Determinants of the Internationalization Pathways of Family Firms: An Examination of Family Influence. Family Business Review, 21(2), 151-167. doi:10.1111/j.1741-6248.2008.00119.x
- GT Capital Holdings, Inc. (n.d.). Corporate Profile. Retrieved October 11, 2018, from https://www.gtcapital.com.ph/corporate-profile
- JG Summit Holdings, Inc. (n.d.). Company Profile. Retrieved October 11, 2018, from https://www.jgsummit.com.ph/our-company/company-profile
- Johansson, D., Sjögren, H., & Bjuggren, C. (2009, January). Family Business, Employment, and GDP. Retrieved October 11, 2018, from https://www.researchgate.net/publication/46470679_Family_Business_Employment_and_GDP
- Macaraeg, P. (2018, August 7). How Many of PH's Listed Companies are Still Family Firms? Retrieved October 10, 2018, from https://www.entrepreneur.com.ph/news-and-events/how-many-of-ph-s-listed-companies-are-still-family-firms-a00222-20180807
- Mitter, C., Duller, C., Feldbauer-Durstmüller, B., & Kraus, S. (2014). Internationalization of family firms: the effect of ownership and governance. Review of Managerial Science, 8(1), 1-28.
- Oxford Business Group. (2017). The Report: The Philippines 2017. Retrieved October 11, 2018, from https://oxfordbusinessgroup.com/philippines-2017
- Philippine Statistics Authority. (n.d.). National Account of the Philippines (1st Quarter 2015 to 1st Quarter 2018). Retrieved October 11, 2018, from https://psa.gov.ph/sites/default/files/Q1%202018%20NAP_0.pdf
- PSE Edge (n.d.). Company List. Retrieved October 15, 2018, from http://edge.pse.com.ph/companyDirectory/form.do
- San Miguel Corporation. (n.d.). Our Company. Retrieved October 11, 2018, from http://www.sanmiguel.com.ph/page/our-company
- SM Investments Corporation. (n.d.). Our Company. Retrieved October 11, 2018, from https://www.sminvestments.com/company/corporate-profile
- Subido, L. (2017, November 13). Which of PH's Largest Conglomerates are Active in the ASEAN Region? Retrieved October 15, 2018, from https://www.entrepreneur.com.ph/news-and-events/which-of-ph-s-largest-conglomerates-are-active-in-the-asean-region-a00200-20171113
- Yap, K. M. (2017, January 26). Rising Tiger Philippines Posts Some of the World's Fastest Growth. Retrieved October 15, 2018, from https://www.bloomberg.com/news/articles/2017-01-26/asia-s-new-growth-leader-takes-over-from-fading-tiger-economies

Beyond the National Borders: Internationalization of Filipino Family Firms

By **Kenneth Metrado**

> ***To expand internationally is one of the many ways a business stays competitive in the increasingly–tense globalized market. Because of the aggressiveness of both local and international competitors, most businesses feel confined to their local niche markets and seek to join the global scene in order to further grow or even survive (Kontinen & Ojala as cited by Mitter et al., 2012). Others, while unfazed by the competition, may be incentivized to internationalize by the potential growth and opportunity in better economies of scale, lower commodity, labor costs, and access to new qualified employees. Internationalizing also provides a better future in job opportunities abroad or simply more dividends to share (Pukall & Calabro, 2013). There are different internationalization strategies a firm can opt (i.e. licensing, exporting direct investments, franchising overseas) which entails risks and returns specific for each firm. True enough, internationalization is a complex process consisting of various distinct stages, each unique and characterized in its own way (Johanson & Vahlne as cited by Gallo & Sveen, 1991). Moreover, how a family firm internationalizes is vastly different from non-family firms (Graves & Thomas, 2008). A family firm would still have to take special consideration of the relationship and well-being of each family member, particularly to the business' ownership and equity.***

Notably, family businesses account for around two-thirds of all businesses around the world (Davis as cited in Family Firm Institute, n.d.). As such, it does not come as a surprise when family businesses contribute approximately 70% of the world's GDP (Osunde, 2017). A survey conducted by Credit Suisse (Francia, 2018) in 2017, found that Philippines has the 11th most family-owned business in the world and an average of market capitalization of $5.6 billion. Despite these figures, family businesses are less likely to internationalize compared to their non-family counterparts (Gallo & Sveen, 1991). Earlier researches suggest it takes a specific set of market conditions for family businesses to consider internationalizing. However, recent studies have emphasized the importance of looking at a family business' governing body in order to get a better understanding of a family's actions and motivations (Segaro, 2010; Mitter et al., 2012). For instance, it is most ideal when the family business's governing body is a mix of family and non-family. It allows family members to breathe easier because risks will be shared between the non-family members and the owners. Too much family influence would make the risks seem too great to bear, while too little influence would diminish the power that the family holds over the business (Mitter et al., 2012). This confirms the findings of Arregle et al., (2012), who also concluded non-family owners and board members influence positively on the internationalization process of family businesses.

In the Philippines, some of the most successful businesses are family-owned. Familiar names are SM Investment Corporation owned by Henry Sy; Ayala Corporation (AC) led by the Zobels; LT Group owned by Lucio Tan; and Jollibee

Food Corporation (JFC) founded by Tony Tan Caktiong. These family businesses have successfully integrated their core family values into their long-term vision which drove them to where they are now. Their stories can help shed a light into the scantly-researched field of family business internationalization (Mitter et al., 2012).

In line with this, the story of JFC began when two brothers set-up a shop in the busy streets of Cubao and Quiapo. What originated as an ice cream parlor grew quickly into a family-favorite fast food restaurant. By the time Jollibee grew into an 11-store chain, McDonald's had entered the scene and many wondered if the family-owned fast food chain would survive against the international giant. However, JFC saw this as an opportunity to benchmark McDonald's operations to shape up to a world-class standard. A weakness JFC managed to overcome was quality, cost, and service control that were possible through studying the sophisticated operating systems McDonald's used. It soon gained understanding of McDonald's strengths and weaknesses, which allowed them to eventually gain the upper hand. After establishing themselves as the dominant fast food chain, they took the fight globally. Their international expansion slowly began in 1986 to the nearby shores of Taiwan, Brunei, and Indonesia. Realizing the need for more funding to further the development both locally and internationally, Jollibee offered their initial public offering in 1993 (Garcia Jr., Lovelock, & Wirtz, 2016). Since then, they've expanded more aggressively and changed their strategy by focusing on popular overseas-Filipino-worker destinations such as Guam and the Middle East. Immensely successful was their internationalization strategy that by 2013, Jollibee opened its 100th international store in Saudi Arabia. In that same year, JFC became the number one restaurant company in Asia, in terms of market capitalization (Jollibee, 2015). Presently, it is now shifting their focus towards the fierce markets of Canada, China, Europe, and North America. Boasting an impressive 4,200 stores globally in over 21 countries, JFC continues to aim higher by endeavoring to open 500 stores by the end of this year (Flores, 2018; Gonzales, 2018).

On the other hand, while not a household name, this family business endured the test of time and grew into the largest conglomerate in the Philippines. The AC is the oldest corporation in the country, founded in the midst of Spanish colonial rule in 1834. The Ayala's see themselves as longstanding partners of the nation, developing businesses across the islands even during the Spanish era. Ayala's commitment towards its core family value of integrity and long–term goals allowed them to become the definitive leader of the country's real estate, banking, water and telecommunications (Ayala, 2017). After gaining expertise and capital in the Philippines, the Zobels have shifted their sights towards the rest of the world. Leading this global endeavor are Ayala's Ayala Land, AC Industrials, Manila Water, and AC Energy who have already began establishing themselves overseas (Ayala, 2018). In 2014, Ayala Land began their residential and retail projects in Vietnam and Myanmar. They've partnered with Vietnam- and Myanmar-based ventures to establish a foothold in these countries. In the following year, Ayala Land bought out Malaysian MCT Berhad, a development and construction company, in order to facilitate expansion in Klang Valley (Philippine Daily Inquirer, 2018). Meanwhile, AC Industrials had recently just purchased German-based MT Technologies GmBH and US-based Merlin Solar Technologies Inc., furthering their presence spread across Asia, Europe, and Americas. AC Industrial's electronics counterpart Integrated Micro-Electrionics, had also been hustling by purchasing Via Optronics and STI Enterprises Limited (Philstar, 2018). Manila Water, on the other hand, had already begun their expansion ten years ago in Vietnam. Henceforth, Manila Water had already invested US$120 million into that market and an additional US$170 million in Thailand and Indonesia. AC Energy is also beginning to emerge as a key-player in the Southeast Asian region as its acquisitions in Indonesia and Vietnam proved to be fruitful. Moving forward, AC expects to double their net income to ₱50 billion by 2020 (Ayala, 2018).

All in all, expanding internationally is a deeply complicated business strategy which demands the business's attention and resources. It has the potential to unlock new business opportunities and earn more dividends albeit in a massive and risky investment. Even more difficult is to expand as a family business; there are more things to take into considerations such as family value, culture and value or wealth created for the family. However, reality shows us that internationalization is not only limited to already large wealthy families but also to young family businesses as shown by the cases of Jollibee and Ayala.

REFERENCES

- Arregle, J., Naldi, L., Nordqvist, M., & Hitt, M. (2012). Internationalization of Family- Controlled Firms: A Study of the Effects of External Involvement in Governance. Entrepreneurship Theory and Practice, 36(6), 1115-1143. doi: 10.1111/j.1540-6520.2012.00541.x

- Ayala. (2018, April). Ayala expands its international footprint in energy, real estate, water and manufacturing sectors. Retrieved October 15, 2018, from http://www.ayala.com.ph/ayala-expands-its-international-footprint-energy-real-estate-water-and-manufacturing-sectors

- Ayala. (2017). About Ayala. Retrieved October 15, 2018, from http://www.ayala.com.ph/about- ayala

- Flores, A. S. (2018). Jollibee sustains global expansion. Retrieved October 15, 2018, from http://www.manilastandard.net/business/corporate/276161/jollibee-sustains-global-expansion.html

- Francia, A. (2018). Family-run firms still dominate Philippine business. Retrieved from https://www.bworldonline.com/family-run-firms-still-dominate-philippine-business/

- Gallo, M., & Sveen, J. (1991). Internationalizing the Family Business: Facilitating and Restraining Factors. Family Business Review, 4(2), 181-190. doi: 10.1111/j.1741-6248.1991.00181.x

- Global Data Points - Family Firm Institute, Inc. (2018). Retrieved from https://www.ffi.org/page/globaldatapoints

- Gonzales, I. (2018, September 12). Jollibee steps up global expansion. Retrieved October 15, 2018, from https://www.philstar.com/business/2018/09/13/1850948/jollibee-steps-global-expansion

- Graves, C., & Thomas, J. (2008). Determinants of the Internationalization Pathways of Family Firms: An Examination of Family Influence. Family Business Review, 21(2), 151-167. doi: 10.1111/j.1741-6248.2008.00119.x

- Jollibee. (2015). Retrieved October 15, 2018, from https://www.jollibee.com.ph/about-us/

- Mitter, C., Duller, C., Feldbauer-Durstmüller, B., & Kraus, S. (2012). Internationalization of family firms: the effect of ownership and governance. Review of Managerial Science, 8(1), 1-28. doi: 10.1007/s11846-012-0093-x

- Osunde, C. (2017). Family Businesses and Its Impact on the Economy. Journal of Business & Financial Affairs, 06(01). doi: 10.4172/2167-0234.1000251

- Philippine Daily Inquirer. (2018, April 21). Ayala expanding businesses overseas. Retrieved October 15, 2018, from https://business.inquirer.net/249575/ayala-expanding-businesses-overseas

- Pukall, T., & Calabrò, A. (2013). The Internationalization of Family Firms. Family Business Review, 27(2), 103-125. doi: 10.1177/0894486513491423

- Segaro, E. (2010). Internationalization of family SMEs: the impact of ownership, governance, and top management team. Journal of Management & Governance, 16(1), 147-169. doi: 10.1007/s10997-010-9145-2

- The Philippine Star. (2018, May 07). Ayala expands its global footprint across sectors. Retrieved October 15, 2018, from https://www.philstar.com/business/2018/05/04/1811830/ayala-expands-its-global-footprint-across-sectors

- Garcia Jr. L., Lovelock, C., and Wirtz, J.(2016). Jollibee Foods Corporation. In Wirtz, J. and Lovelock, C., Services Marketing: People, Technology, Strategy, 8th edition. Retrieved from https://www.researchgate.net/publication/282206693_Services_Marketing_People_Technology_Strategy_8th_edition

Snapshots

“The Art of Giving: Strategic Family Business Philanthropy”

Family Business Workshop | 20 November 2018 | Asian Institute of Management

The BIRLA staff with workshop participants.

“2nd Meeting of Family Business Asia Pacific”

19 December 2019 | Meiji University

Prof. Dr. Andrea Santiago with Dr. Manabu Sakumoto, CEO of Zuissen Shuzo Co., Prof. Ryuji Konishi from Ritsumeikan Asia Pacific University, Prof. Roger King from Hong Kong University of Science and Technology, Hiroko Morohashi, CEO of United Sports Foundation, Prof. Yoshiro Yamamura from Meiji Business School, Dr. Yukitero Noumura, General Manager of the Ministry of Economy, Trade and Industry Japan (METI), Dr. Simon Ho, President and Professor of the Hang Seng University of Hong Kong, Mr. Yochiro Ishihara, Senior Country Economist of the World Bank for Bhutan.

“Family Enterprise Case Competition”

9-12 January 2019 | University of Vermont

Prof. Dr. Andrea Santiago with the Asian Institute of Management Team, Ava Española, Cindy Saw, and Timothy Clark Dauz, and University of Vermont student ambassador, Michael Chan.

“Overcoming the International Borders: Global Platforms of Family Businesses”

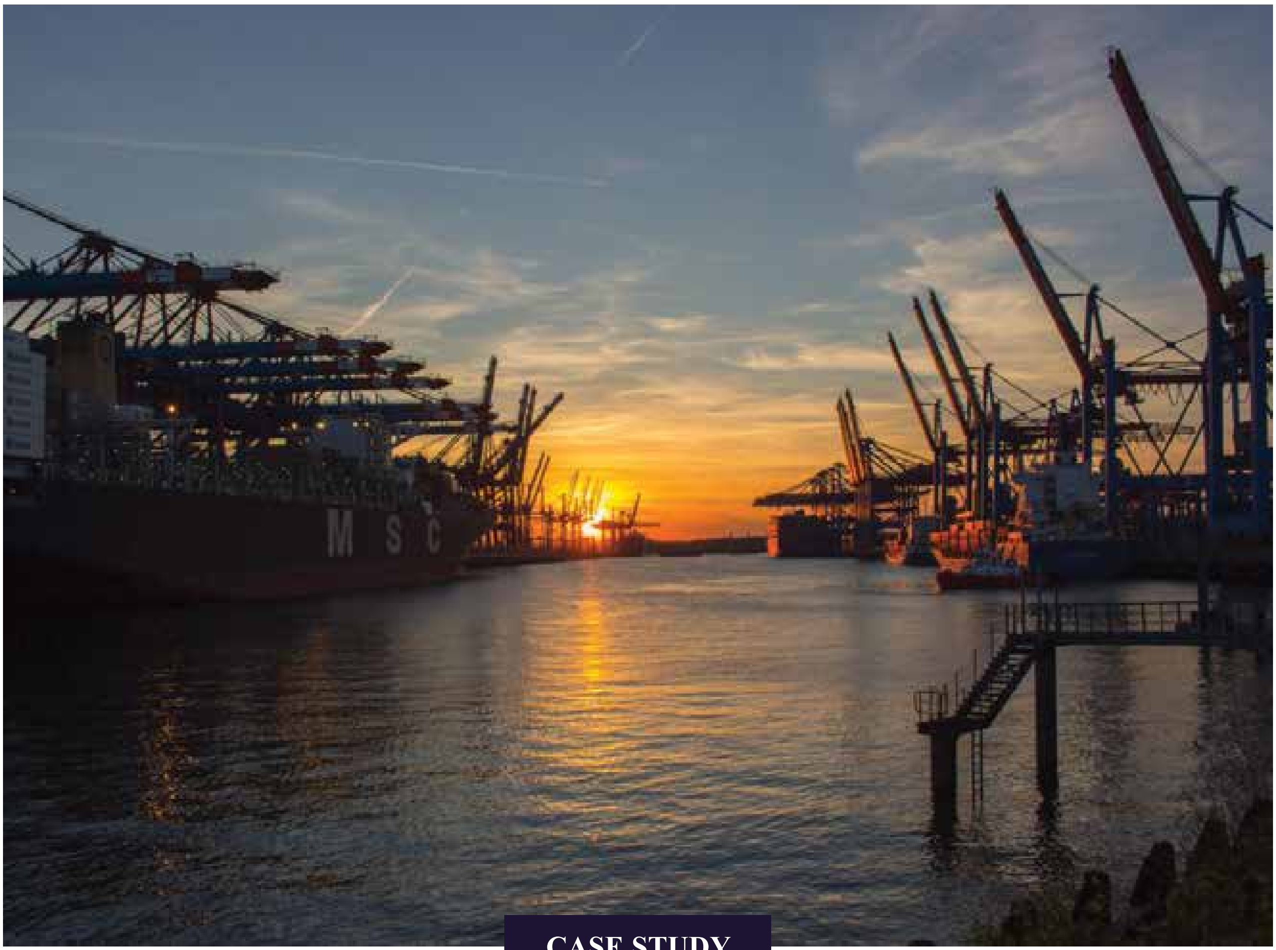
5th BIRLA Breakfast Forum | 21 February 2019 | Asian Institute of Management

Prof. Dr. Andrea Santiago with Marion Branellec de Guzman, Jewelmer Joaillirie's Marketing Manager, BIRLA staff, and family business representatives.

“Next in Line: Preparing the Next Generation of Family Businesses”

Family Business Workshop | 23 February 2019 | Asian Institute of Management

Prof. Dr. Andrea Santiago with the BIRLA staff, and workshop participants.



CASE STUDY

Survival of the Fittest: The Case of the Castro Construction Company

By **Allanne Mae I. Tiongco and Alfonso Martin Aguila**

Joseph Castro, the eldest between the two children of Ricardo and Cecile, was enjoying his vacation with his family at Balesin Island when his younger brother, Adrian, called him to talk about their family business. He was frustrated about the current family business situation.

"Joseph, why didn't you tell me that you are planning to expand our business to Malaysia?" Adrian asked. Upon hearing this, he distanced himself from his family to handle the situation. *"Let us talk about this tomorrow. I am with my family right now,"* Joseph replied.

While Joseph was on his way home with his family, he began to think about the conversation he was about to have with Adrian on the following day. He had the aspiration of expanding the Castro Construction Company internationally and had set his sights on Malaysia hoping to generate more profit, while taking advantage of the country's booming economy and the company's potential growth.

Joseph, already hired Malaysian consultants, specialized in the construction industry to advise him on the internationalization process and the Malaysian markets. He had also met with the Malaysian consultants that specialize in the construction industry to help him put up the business.

The following day, the siblings met at a coffee shop. Reluctant about expanding internationally, Adrian said, *"Our father would not have wanted this to happen. First, we only have limited managerial capabilities in order for us to internationalize. Second, any decision that is unknown to us would lead to several unforeseen circumstances which may in the end lose our ground on the business. Lastly, going into this uncertain environment would need new sources of funding which we do not have in abundance in right now."*

"I think you're wrong. In this globally competitive market, it is vital that we internationalize in order to survive this environment. Internationalization would drive our business to grow and expand beyond our traditional market. Moreover, we would be able to establish new relationships with foreign business owners to be able to develop new knowledge and capabilities to enhance our international competitiveness," Joseph replied, as he casually sipped his brewed coffee with the still unbelieving Adrian.

Adrian replied, *"Explain. How can you not tell me about this before-hand? I've only found out about this project in Malaysia when I overheard your PA muttering to herself."*

"Ok. You've always known how much Father wanted to compete globally. Now that he's gone, it's up to us to pursue that dream. And I was about to tell you, but you found out first. But trust me, Malaysia is a great choice. The country is enjoying a flourishing economy right now and construction is in great demand. I already consulted with an expert in Malaysia who is a specialist in this and now is the opportune time for us to set a foothold there. I also took the liberty to call for a board meeting regarding this matter tomorrow," explained Joseph confidently.

"You did what!?" exclaimed Adrian. He was in shock. *"How can you do all this behind my back, without even telling me? I can't believe you've done this. We are supposed to be family!"*

Joseph scrambling for a reply, stammered, *"W-well I thought you'd also agree to the plan so I just…"*

"You just what?" interrupted Adrian. *"Our resources are already stretched thin as it is! You knew that 2011 was a bad year for us, and we are just barely recovering in 2012 what we've lost! And now you want to push through a project in a country that we're not even familiar with? We cannot afford to take any risks yet here you are, taking the biggest risk of them all! And who do suppose will take charge and supervise the project in Malaysia? You have your family to take care of and you are not in your right mind if you think I'm going to babysit this project of yours. We'd also have to completely hire a new set of staff and managers or were you also planning to siphon what manpower we have here?"*

Adrian exhaled and took in a deep breath. After a considerable silence, Joseph had gathered his wits to defend his decision, *"Look Adrian, I'm sorry for doing these things on my own. However, do not take me for a fool. Of course, I did the necessary research before-hand. I studied our financials; our yearly growth is shrinking smaller and smaller each year since 2007. I do not think 2011's performance is just a coincidence. After our 15th branch here in the Philippines, I truly believe expanding internationally is the next step for the future of the family business, and Malaysia is the place to be. I have friends there, and they are willing to lend a hand. I've managed to secure a loan to avoid straining our funds here. We all benefit. I'll take responsibility and personally oversee the project abroad. How does that sound?"*

Adrian needed a moment to reflect on his brother's reply. Countless thoughts raced his mind. *"This is too reckless. One false move, and we'd be in goner. We'd probably lose ownership at worst. But he's right, I can't just ignore our shrinking growth margin. I still can't help but feel doubtful of this."*

After a moment, Adrian said: *"Fine, hand over the budget and reports prepared for tomorrow's meeting. I'll go over it."*

FAMILY & BUSINESS BACKGROUND

Ricardo Castro, Joseph and Adrian's father, established Castro Construction Company in 1985, in Marilao, Bulacan because of his passion for constructing buildings and the desire to supply the increasing demand for infrastructure in the Philippines. With an initial capital investment of ₱100,000.00 he put up a two-storey office space that had over 40 employees, trained by Ricardo with his 10 years of experience in project execution, monitoring, and closures.

Twenty years later, the construction company expanded to over 15 branches in different parts of the Philippines and has now a total capital investment of ₱58,000,000.00 and 600 employees.

Joseph and Adrian spent most of their teenage to adult years observing how Ricardo managed the company. While witnessing how their father worked, they sometimes had small arguments on who had better plans to improve the business, as well as who had more precise solutions to the problems the business encountered. Although Ricardo was glad that his sons immersed themselves in the family business, he taught them the value of teamwork and explained that in every solution, there will always be pros and cons that might greatly affect the output. Following these teachings, the Castro siblings made sure that they must weigh the consequences in every decision they take.

Just before their father passed away in 2012, Joseph was appointed as the chief executive officer of the business and received the majority of the shares, due to his executive MBA and Master in Civil Engineering degrees. Meanwhile, Adrian was appointed as the chief financial officer because of his Master's degree in Accountancy.

EXPANDING INTERNATIONALLY

In just six months since their last conversation and after a deliberate dialogue between the siblings, Joseph pushed for more thorough plans to internationalize the family business. Despite not being able to push through with his plan yet, he has already partnered with various businessmen in Penang and Kuala Lumpur for potential construction projects and developments. He had also talked to Malaysian professionals who are willing to be hired to work for the company, in order to familiarize themselves with the business climate in the country. With the help of their current finance department, they developed financial projections.

On the other hand, Adrian was sitting out during most of the internationalization. He was still in doubt of the decision, wondering if this was the right step to take for Castro Construction Company. Some days, he would lie down in bed and contemplate whether his father would be happy with Joseph's plans for the family business because of the risks and challenges, and possible failure, that they might encounter along the way.

The following morning, as soon as Adrian woke up from his sleep, he realized something and looks up to the ceiling of his room. He asked himself, *"Would we be able to pull these plans off? Would my father be proud of what our company will become?"*