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Impact of Socio Emotional Wealth Preservation in the Decision of a Filipino Family Business to go Public

Submitted as Independent Final Report

Under the supervision of Professor Phillip Dean Pardo

Written by Miguel Felipe Evangelista

7/15/2015

10,248 words (excluding appendix and references)

Acknowledgements

First of all, I would like to praise God the Almighty for without Him, I am nothing. My knowledge, patience, strength and determination, all the investments I put in to make this paper comes from Him. I consider my experience as a graduate student in APU as a blessing from Him. All achievements that I received and will receive are offered in His name and for His greater glory.

I would like to express my heartfelt gratitude to the following people for their invaluable contributions to this report. First of all, I would like to thank my supervisor, Professor Phillip Pardo for his patience as he struggled together with me to be able to produce this paper and for his presence in all the meetings and presentations. Apart from him, I would also like to thank Professor Lailani Alcantara. She provided me valuable insights regarding academic writing and topics for my research.

Next, I would like to acknowledge the people whom I interviewed to produce this report -- Mr. Jose Antonio Vilar, Head of the Marketing Services Department of the Philippine Stock Exchange, Inc. and Mr. Jesus Mariano P. Ocampo, Director of Abacus Capital & Investment Corporation from whom I received valuable insights regarding the listing process and going public.

I thank Mr. Alvin LAO, Executive Vice President, Chief Finance Officer of D&L Industries, Inc. He has showed me great compassion throughout the duration of my research on his company. I truly admire and respect him for his humility and kindness. I would also like to thank Mr. Chris Po for allowing me to research on his company and granting me the privilege to interview him.

I would like to thank my parents, Jose and Celia Evangelista for supporting my studies in Japan. I would also like to thank Ms. Mika Ishihara from the College of Asia Pacific Studies who is the source of my motivation and inspiration while making this paper.

I would like to dedicate this paper to Abhishek Javali, my dear friend who passed away during our stay in Japan. I will forever cherish his fond memory and the friendship we shared.

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Glossary of Terms

In this paper, unless the context otherwise requires, the following terms shall have the meanings set forth below:

SEW ………………………… SocioemotionalWealth

GDP ………………………… Gross Domestic Product

PSE …………………………. Philippine Stock Exchange

PSE EDGE …………………. Electronic Disclosure Generating System.

PSEi ……………………….. .. Philippine Stock Exchange Index

SEC …………………………. Securities and Exchange Commission

DNL ………………………… D&L Industries, Inc.

CNPF ……………………….. Century Pacific Food, Inc.

IPO …………………………. Intial Public Offer

PE Ratio ……………………. Price Earning Ratio

CMDD ……………...……… Capital Makets Development Division

MSD ……………………….. Marketing Services Department

IAS ………………………… International Accounting Standards

PAS ………………………… Philippine Accounting Standards

PR ………………………….. Public Relations

Impact of Socioemotional Wealth Preservation in the Decision of a Filipino Family Business to go Public

Miguel Felipe L. Evangelista, Graduate School of Management

Abstract

This study compares two family owned businesses in the Philippines that have recently gone public and listed on the local exchange. Interviews with executive officers of the company, local underwriters and officials of the Philippine Stock Exchange were conducted to measure the impact of Socioemotional Wealth (SEW) preservation in the decision of the companies to go public. The responses of both executives show that non-economic factors were the key considerations of the family businesses in their decision to go public. It took decades for both families to go public due to factors that point to the preservation of their SEWs. In particular, the loss of privacy, threat to personal security, and access to information given to competitors are the main reasons which caused initial apprehensions for the owners to take their businesses public. On the other hand, non-economic factors like professionalization of the family business and estate planning were the key considerations to why both companies decided to go public. The two interviewees also showed extreme satisfaction on the outcome of their decision to go public due to non-economic reasons: increased motivation of employees and managers, improved relationships with suppliers and buyers, and better public exposure for the company. Thus, it can be concluded that although going public is primarily an economic exercise that aims to provide companies with capital for their business activities, factors that affect Filipino family businesses in their decision are mostly non-economic and are aimed to increase or preserve their Socioemotional Wealth.

Introduction

A consumption driven market coupled by high domestic demand has led to the resurgence of the Philippine economy. From 2010 to 2014, the Philippine GDP grew at an average annual growth rate of 6.3% (The World Bank, 2015). Equally remarkable was the growth of the Philippine Stock Market which is considered to be one of the best performing stock markets in the world (World Federation of Exchanges, 2013). The Philippine Stock Exchange Index (PSEI) doubled from 4,000 level to 8,000 level in a span of four years (Bloomberg L.P., 2015). Recently, it attained its all-time high last April 10, 2015 when the market closed at 8,127.48 points (Bloomberg L.P., 2015). Other factors such as the increase of total market capitalization of listed firms (see figure a), average daily trading volume (see figure b), and increase of foreign inflow of capital (see figure c) point to the ongoing development of the Philippine capital markets. Despite all these positive indicators, one problem still remains – the number of listed firms in the Philippine Stock Exchange (PSE) is still one of the lowest in the Southeast Asian region.

The lack of public companies listed on the exchange is mainly due to the fact that a large number of family businesses in the Philippines remains privately held despite all the benefits of going public. Family firms currently account for 80% of the total number of businesses operating in the Philippines (Johnston, 2004). Twenty three out of the top thirty companies that make up the Philippine Stock Exchange Index (PSEi) are family-owned. Despite their dominance in the Philippine economic landscape, family firms have continually practice conservative business practices and customs. They rarely use debt for leverage and are even more reluctant when it comes to offering their shares to the public.

The objective of this research is to be able to determine the factors that affect a Filipino family business' decision to go public based on the theory of Socioemotional Wealth (SEW). Socioemotional Wealth Theory stresses the importance of non-economic benefits that the family obtains from owning a business (Gomez-Mejia, et. al, 2011). While it can be argued that the unwillingness of Filipino family businesses to go public is caused by their intention to preserve their SEW, this research intends to provide a counter-argument by proving that going public can also increase a family business' SEW. If the SEW gained from going public is greater than the SEW preserved by remaining private, then a family business will be willing to go public.

The output will take the form of a comparative case study of two family businesses in the Philippines that have recently gone public and were listed on the local exchange. The two companies chosen were D&L Industries (Stock Code: DNL) and Century Pacific Food, Inc. (Stock Code: CNPF). D&L Industries is the market leader in food ingredient production and chemical additives used in paints (D&L Industries, Inc., 2012). This company was founded in the 1960s by brothers Leon and Dean Lao but had only gone public in 2012. On the other hand, Century Pacific Food, Inc. is one of the biggest food companies in the Philippines and is the market leader in the canned tuna industry (Century Pacific Food, Inc., 2014). This company is one of the newest listed corporations in the Philippines having gone public on May 2014. Both of these companies were founded by Chinese Filipino businessmen who have now passed on management of their companies to the second generation.

Research Objectives

The following are the research objectives of this paper:

1. To be able to define Socioemotional Wealth (SEW) and use the concept to study the behavior of publicly listed family businesses in the Philippines;

2. To be able to enumerate non-economic factors that influence family businesses in the Philippines to go public;

3. To be able to determine economic and non-economic benefits that family businesses provide to different stakeholders;

4. To be able to determine the positive impact of family businesses to the development of the Philippine capital market;

5. To be able to link improvements in financial performance to positive SEW.

Method of Research

To begin the research, preliminary information regarding the listed companies was gathered from the Philippine Stock Exchange through the help of various officers working in the marketing and research departments. Apart from market data and statistics, the prospectuses of both companies were obtained as these documents contain valuable information regarding public offering and the listing of the companies involved in this research. An interview with one of the officers and one of the underwriters affiliated with PSE was conducted. Jose Antonio Vilar, Head of Capital Market Development Division and Marketing Services Department is currently in-charge of scouting for private companies that have the potential to list on the exchange. Mr. Vilar regularly meets with owners of private businesses to encourage them to go public. Apart from Mr. Vilar, an interview was also conducted with Jesus Mariano P. Ocampo, Director of Abacus Capital & Investment Corporation. This underwriting firm catered primarily to medium-sized family firms that have gone public. Information regarding the non-economic benefits of listing was also obtained through marketing materials that were provided by the PSE. The key take-away from this visit is that although listing is primarily a capital generating process, certain non-economic benefits can also be obtained by public firms that have gone through this exercise.

As this paper takes the form of a comparative case study to examine the growth and changes occurring inside Filipino companies, two companies were chosen based on their current sizes. These companies are considered as large companies under the criteria set by the Philippines' Department of Trade and Industry wherein asset size should be more than Php 100 million (approximately 2.5 million US Dollars) and the company should have more than 200 full-time employees (Department of Trade and Industry, 2003). Apart from this, the two companies that were chosen are newly listed companies which have gone public within the past three years.

Two personal interviews were then conducted with the owners of the family businesses. The two companies were: D&L Industries, Inc. represented by Alvin LAO, Executive Vice President, Chief Finance Officer and one of the sons of company's founder; and Century Pacific Foods, Inc., which was represented by Christopher Po, the Chief Executive Officer and son of the Chairman and founder. Both interviews took an hour long and focused on the following key questions: (1) What factors lead to the decision of the family to take their business public? (2) What were the apprehensions/difficulties that were encountered by the family before and during the listing process? (3) Describe the changes in corporate structure that were results of listing the company. (4) Did listing the company improved corporate governance? (5) What are the benefits/drawbacks that can be attributed to public disclosures? (6) Did the company's CSR initiatives increased after going public? (7) What benefits were made available to employees after listing? (stock option plan, increase in wages, etc.) (8) Did listing and its benefits positively affect employee performance? (9) How does the company manage shareholder expectations? (10) What other non-economic benefits did the family obtain after taking their business public? Do the non-economic benefits outweigh the drawbacks of going public for a family business?

As supplement to the primary data that was retrieved from each company, secondary data in the form of annual reports, press releases, quarterly filings and supplementary disclosures were assessed and retrieved from the companies' website.

Review of Related Literature and Theoretical Framework

Studies regarding capital raising activities of firms are often focused on large multinational corporations that are actively participating in the capital markets of different countries worldwide. Nevertheless, a number of literature have tackled family corporations and the factors that affect their capital raising decisions. One concept that is pertinent to this research is the study on Socioemotional Wealth Theory (SEW). Arguments for and against the outcome of this research will mainly be based on this theory as it can both explain the decisions of companies that are for and against listing and going public. Apart from this theory, results of this research may also be discussed using the viewpoint of stakeholder value maximization (Jensen, 2001).

Socioemotional Wealth Theory (SEW) mainly argues that the family is emotionally connected to the business that it owns. This explains the differences between the decision making process and outcome of family firms and non-family firms (Gottardo & Moisello, 2015). Due to the emotional linkages that the family forms with the business it owns and controls, more importance is given to non-economic benefits over economic benefits that the firm provides to its owners (Leitterstorf & Rau, 2014). Non-economic benefits are advantages and privileges that do not directly or indirectly increase the monetary/financial wealth of certain individuals or groups. Examples of noneconomic benefits for family firms are sense of security, source of pride, control and power over entity, sense of accomplishment; and source of happiness (Le Breton-Miller & Miller, 2013).

Gomez-Mejia, Cruz, Berrone and De Castro (2011) went further to argue that all decisions of a family-owned enterprise – whether financial or non-financial, is affected by the family's need to preserve its SEW utility (Gomez-Mejia,et. al, 2011). The authors said that the firm is actually part of the family's identity. This is the main reason why most family firms bear the family's name (Gomez-Mejia, et. al, 2011). Because of this, the condition of the firm is tantamount to the condition of the family. Thus, public perception regarding the firm reflects how the public perceives the family. Accomplishments of the firm such as income growth, expansion, and special recognitions raise the family's reputation. On the other hand, misfortunes, troubles and failures of the firm taint and damage the family's name (Gomez-Mejia, et. al, 2011).

The value of a family business is not only derived from its shared identity with the family but also from its role as a source of sustenance for the family (Gomez-Mejia, et. al, 2011). The firm is usually the only means in which the family provides for its daily needs during its early years of establishment. Children who grow up to eventually take over the firm were sustained through the income of the family business. For patriarchs of a family firm, succession planning is an important element of the business as a way to preserve the firm and support the family (Gomez-Mejia, et. al, 2011).

Because of the importance given to preserving the SEW of family businesses, firms are willing to sacrifice economic gain to protect its noneconomic benefits (Leitterstorf & Rau, 2014). This is the reason why strategic decisions of a family business are geared more towards the preservation of its SEW. Leitterstorf and Rau (2014) proved this by discussing the underpricing practiced by family corporations during its initial public offering (IPO). They observed that family firms usually do not take advantage of getting the best valuation during the IPO process. Instead of aiming for the full offer price, family corporations tend to sell their shares at a discount which makes their shares overbought during the IPO. As a result, an increase in their stock prices throughout the first few days of trading has been observed. Leitterstorf and Rau argued that the reason for this practice is the family's need to preserve its SEW utility by ensuring a successful IPO. Conducting a successful IPO and becoming a listed firm provides the family a sense of pride and protects the family from negative feedback that an unsuccessful IPO may create (Leitterstorf & Rau, 2014).

The literature discussed in this section stresses the importance of noneconomic benefits in a family firm's strategic decisions whether the decision may be nonfinancial or financial in nature. Thus, Socioemotional Wealth Theory can be used as a tool to explain capital market participation of family firms.

Family Businesses and the Philippine Economy

To begin this discussion, a proper definition of a family business must be provided in order to set the parameters of this study. According to International Finance Corporation (IFC), a family business is a company wherein the decision making power lies mostly in the hands of the family that controls and owns the business. In general, the family must hold more than fifty percent (50%) of the total shareholdings for the enterprise to be considered as a family business. Furthermore, a family business is characterized by having a founder who has an intention of passing the company to his/her descendants (International Finance Corporation, 2008).

Although only a few studies have tackled family businesses in the Philippines, their important role in the country's economy is largely uncontested. The Philippine business landscape is controlled predominantly by family businesses. According to Johnston, 46.7% of the Philippines' GDP can be attributed to the top 15 family businesses in the country (Johnston, 2004). Filipino family businesses has also made significant contributions in nation-building by generating jobs and employing 60% of the country's total workforce (Perryer & Te, 2010). In addition, the biggest non-profit foundations operating in the country are funded by these businesses through their CSR initiatives.

As a country with Asian values deeply ingrained in its national culture, family-owned businesses which comprise roughly 80% of Philippine businesses predominantly practice the Stakeholder philosophy which puts emphasis on relationships between different stakeholders of the firm (Freeman, Wicks, & Parmar, 2004). This has been further established by the immigration of the Chinese during the late 19th and early 20th century, many of whom had succeeded in starting their own enterprise. Although the total Chinese residents in the Philippines do not exceed 1% of the total Philippine population, they control majority of the biggest family conglomerates that owns 60% of the country's wealth (Perryer & Te, 2010).

The Philippines has long been a country of mixed cultures as a result of trade relations and foreign occupations from both east and west, but the arrival and occupation of the Americans from 1898 to 1946 has left one of the most resounding impact in its economic landscape. American controlled and influenced firms adopted the shareholder model, which is central to American business philosophy (Sundaram & Inkpen, 2004). Institutions such as the stock exchange and the Securities and Exchange Commission were founded further cementing the importance given to shareholder interests in business activities (The Philippine Stock Exchange, Inc.).

Tapping the capital markets is essential in order to sustain a company's growth and transition into becoming a large enterprise. But in order to do so, companies must develop a more shareholder-oriented approach of running their businesses, in which some traditional ways of doing business must be changed. As most listed companies in the Philippines are forced to adopt the shareholder model once they open to their company to the public, traditional family businesses remain stakeholder oriented.

The Philippine Capital Market: Stock Market in the Philippines

The Philippine Stock Exchange (PSE) is considered to be one of the oldest bourses in the Asia-Pacific Region. It was founded in the 1920s during the time when the United States occupied the Philippines (The Philippine Stock Exchange, Inc., 2014). Throughout this era, much of the western way of doing business was adopted by the country. Currently, it is the Philippines' only stock exchange and thus, the official national bourse of the country (The Philippine Stock Exchange, Inc., 2014).

The PSE's vision is to become one of the premier stock exchanges in Asia. This vision started during the appointment of two of its top executives: Mr. Hans B. Sicat, who is currently the Chief Executive Officer and Mr. Roel A. Refran, the bourse's current Chief Operating Officer. These two executives introduced numerous reforms in the past five years. First, modernization of the trading system was embarked upon in 2010 when it acquired the newest trading technology from the New York Stock Exchange (The Philippine Stock Exchange, Inc., 2014) and again during June of the current year (J.S. Vilar, personal communication, March 16, 2015). Online trading through PSETradex was established in 2013 to give easy trading access to both local and foreign investors. Online disclosures for listed companies were made convenient through the introduction of the PSE EDGE portal during the same year (The Philippine Stock Exchange, Inc., 2014).

Apart from these technical upgrades, regulatory and structural changes were also put in place. Disclosure and listing rules were amended to be able to ensure the protection of investors (The Philippine Stock Exchange, Inc., 2014). Corporate governance also became one of the main focuses of the exchange as it established its set of corporate governance guidelines for listed companies and recognized compliant companies through the Bell Awards for Corporate Governance (J.S. Vilar, personal communication, March 16, 2015).

Due to these initiatives, the Philippine capital markets showed improvements and considerable growth in the past four years. As investor confidence improved, the value of Philippine listed companies increased. Total market capitalization grew at an average of 18% from 2011 to 2014 (The Philippine Stock Exchange, Inc., 2014). Total trading volume also showed significant growth as more Filipinos participated in the capital markets. Apart from local investors, foreign participants in the Philippine stock market also increased. The percent share of foreign trading to local trading jumped from 52% in 2013 to 57% in 2014 (The Philippine Stock Exchange, Inc., 2014).

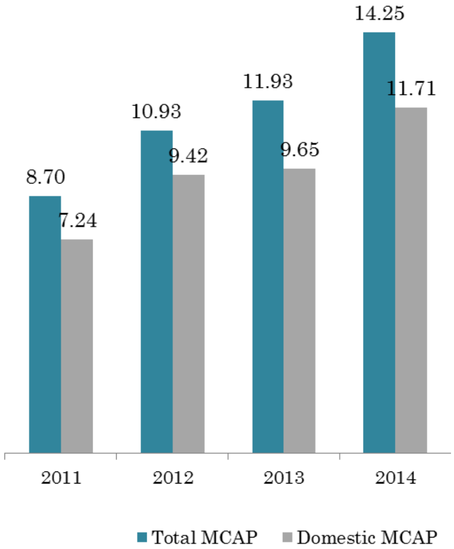

Figure a. Total and Domestic Market Capitalization, in billions of Philippine Pesos (The Philippine Stock Exchange, Inc., 2014)

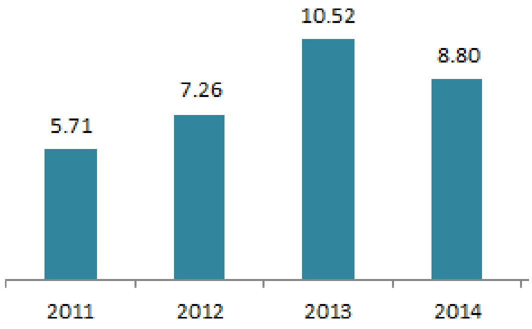

Figure b. Total Value Turnover, in billions of Philippine Pesos (The Philippine Stock Exchange, Inc., 2014)

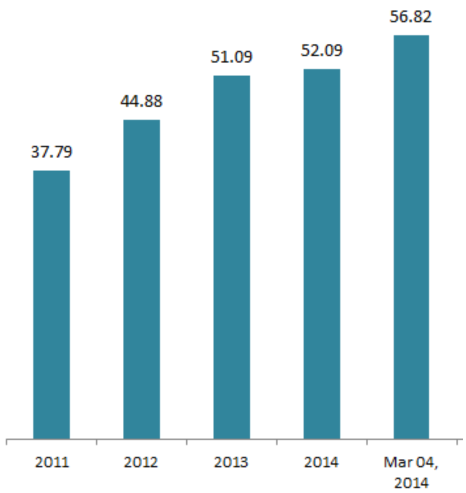

Figure c. Percent Share of Foreign Trading to Total Trading (The Philippine Stock Exchange, Inc., 2014)

The Philippine Stock Exchange is now considered as one of the fastest growing stock exchanges in the Asia Pacific Region (J.S. Vilar, personal communication, March 16, 2015). Its main index showed constant growth from 2008 to 2015. In the years 2011- 2012, and 2014, it was considered as one of the best performing stock exchanges in the world. Its main index, the PSEi constantly outperformed its peers in the past five years (The Philippine Stock Exchange, Inc., 2014).

Rank	Country	Index	end-2011	end-2012	YOY change 2012
1	Thailand	SET Index	1,025.32	1,391.83	35.76%
2	**Philippines**	**PSEi**	**4,371.96**	**5,812.73**	**32.95%**
3	India	NSE Nifty	4,624.30	5,905.10	27.70%
4	India	BSE Sensex	15,454.92	19,426.71	25.70%
5	Japan	Nikkei 225	8,455.35	10,395.18	22.94%
6	Hong Kong	Hang Seng Index	18,434.39	22,656.92	22.91%
7	Singapore	Straits Times Index	2,646.35	3,167.08	19.68%
8	Japan	Topix Index	728.61	859.80	18.01%
9	Vietnam	VN Index	351.55	413.73	17.69%
10	Indonesia	Jakarta Composite Index	3,821.99	4,316.69	12.94%
11	Malaysia	Kuala Lumpur Composite Index	1,530.73	1,688.95	10.34%
12	South Korea	KOSPI Index	1,825.74	1,977.05	9.38%
13	Taiwan	Taiwan Taiex Index	7,072.08	7,699.50	8.87%
14	China	Shanghai Composite Index	2,199.42	2,269.13	3.17%
15	China	Shenzhen Composite Index	866.65	881.17	1.68%

Table 1. PSEi v. Selected Asian Indices 2012, Year-on-Year % Change (World Federation of Exchanges, 2012).

Rank	Country	Index	end-2012	end-2013	YOY change 2013
1	China	Shenzhen Composite Index	881.17	3,160.90	258.72%
2	China	Shanghai Composite Index	2,269.13	5,040.27	122.12%
3	South Korea	KOSPI Index	1,977.05	4,358.00	120.43%
4	Japan	Nikkei 225	10,395.18	16,291.00	56.72%
5	Japan	Topix Index	859.80	1,302.29	51.46%
6	Vietnam	VN Index	413.73	504.63	21.97%
7	Malaysia	Kuala Lumpur Composite Index	1,688.95	1,866.96	10.54%
8	India	BSE Sensex	19,426.71	21,170.68	8.98%
9	India	NSE Nifty	5,905.10	6,304.00	6.76%
10	Hong Kong	Hang Seng Index	22,656.92	23,306.39	2.87%
11	**Philippines**	**PSEi**	**5,812.73**	**5,889.83**	**1.33%**
12	Singapore	Straits Times Index	3,167.08	3,167.43	0.01%
13	Indonesia	Jakarta Composite Index	4,316.69	4,274.18	-0.98%
14	Taiwan	Taiwan Taiex Index	7,699.50	5,874.17	-23.71%
15	Thailand	SET Index	1,391.83	883.40	-36.53%

Table 2. PSEi v. Selected Asian Indices 2013, Year-on-Year % Change (World Federation of Exchanges, 2013).

As the stock market continues its bull run, valuations remain high guaranteeing firms access to capital once they sell their shares. On top of that, recent technical and procedural upgrades in the Securities and Exchange Commission (SEC) and PSE have further simplified and hasten the process of listing for companies wanting to go public. The process for private companies to go public has been shortened from six months to three months (J.S. Vilar, personal communication, March 16, 2015).

Despite all these efforts, the Philippines still has fewer listed companies compared to its neighbors in Southeast Asia. Among the five biggest economies in the region, the Philippines has the fewest number of listed companies. The number of listed firms in the PSE is just half of that of Indonesia, which has the second fewest number of listed companies in the region (The Philippine Stock Exchange, Inc., 2014).

	Total	Local	Foreign
Philippines	260	258	2
Malaysia	910	900	10
Indonesia	483	483	0
Thailand	584	584	0
Singapore	776	479	297

Table 3. Number of listed companies in selected Southeast Asian Exchanges (World Federation of Exchanges, 2013).

The gap between the number of listed firms in the Philippines and its neighbors continues to widen as fewer firms go public. In 2013, the Philippines only managed to list nine new businesses on its bourse compared to 29 in Indonesia and 28 in Thailand (The Philippine Stock Exchange, Inc., 2014). This is quite unexpected considering that the economic growth and investor confidence in the country should attract private companies to seek more capital through the bourse for expansion.

	2013	2012	2011	2010
Philippines	9	7	6	5
Malaysia	18	17	28	29
Indonesia	29	23	25	23
Thailand	28	18	12	11
Singapore	27	22	24	36

Table 4. Number of newly listed companies in selected Southeast Asian Exchanges (World Federation of Exchanges data).

At present, the Philippine Stock Exchange continues to tackle this problem. It has formed its own Marketing Services Department in charge of seeking potential companies for listing. The department conducts regular roadshows in different cities across the country and has formed partnerships with a number of business chambers (J.S. Vilar, personal communication, March 16, 2015). Presentations on listing and going public have been given to different private family firms with the expectation that the Philippines will soon catch up with the rest of Southeast Asia in terms of number of companies going public.

Hindrances to Listing: Why do Family Businesses Remain Private

The Philippine Stock Exchange has three main objectives: 1) to facilitate the trading of securities in the Philippines, (2) to ensure the protection of stock investors; and, (3) to further develop the Philippine capital markets. To fulfill the third goal, the Marketing Services Department (MSD) was formed under the Capital Markets Development Division (CMDD). According to Mr. Vilar (personal communication, March 16, 2015), the group's main goal is to encourage private companies to go public.

Based on the interviews conducted with the Marketing Services Department of the

Philippine Stock Exchange and Abacus Capital & Investment Corporation, the following are the common hindrances that prevent family businesses to go public:

Protection of ownership of the company. Going public means opening the firm to investors and providing them the opportunity to become part owners of the company (J.S. Vilar, personal communication, March 16, 2015). Even though the ownership of the family is still bigger than that of the public after listing, possibilities of a hostile takeover still exists which threatens the family's ownership of the business. This is a serious threat for the family due to the fact that it considers the business as part of its identity (Gomez-Mejia, et. al, 2011).

Required public ownership of the firm also depends on the size of the business. If the business is worth more than 10 billion Philippine Pesos (appox. USD 200 million), it is only required to offer 10% of its total outstanding shares to the public. On the other hand, if the business' net worth is smaller than 500 million Philippine Pesos (appox. USD 10 million), it needs to offer 33% or more of its total shares (The Philippine Stock Exchange, Inc., 2014). Since most of the family businesses in the Philippines belong to the latter category, they need to offer more shares to the public to be able to list on the exchange.

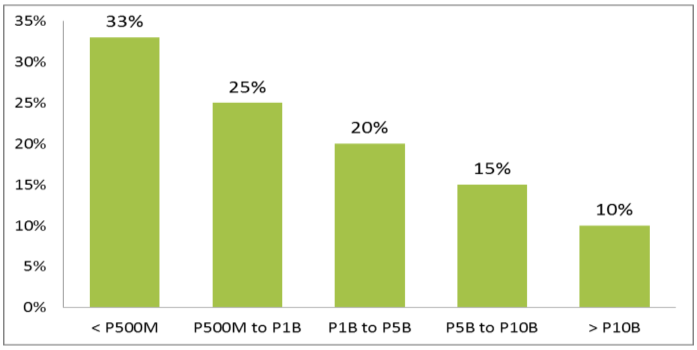

Figure d. Minimum Public Offering to in the Philippine Stock Exchange (The Philippine Stock Exchange, Inc., 2014)

Fear of losing control over the business. Apart from ownership, control over the business is also one of the most protected facets in a family firm. Traditional Filipino family businesses not only own but manage their companies. All decisions regarding the business belong to the founder and head of the business and family. Once the family business goes public, the board of directors must be established in which two board seats must be allocated to individuals who are not part of the family (J.P. Ocampo, personal interview, April 6, 2015). Apart from this, the company is also required to hire a competent management team (J.S. Vilar, personal communication, March 16, 2015).

In this structure, less control is given to the family. It will be difficult for them to implement plans, projects, and changes in the company. Important business deals must also go through the board of directors and must be communicated to the company's investors (J.S. Vilar, personal communication, March 16, 2015).

Another dimension added to the firm is its stock price. Since the company's stock price depends on the market, the family will have no control over it (J.P. Ocampo, personal interview, April 6, 2015). Listed family businesses in the Philippines are concerned over how the company's stock price is performing because it reflects the image of their company, and also their family (A.D. Lao, personal interview, September 23, 2014). The family can lose its reputation if the stock price of their business is not performing well.

Security concerns and family threats. Since one of the main goals of the founder is to protect and provide for its family, threats in the security of the family that can occur after going public is a major concern. The media exposure given to the business and the family after listing endangers the family's privacy. In the past, kidnappings occurred on family members of large corporations in the Philippines, which caused panic in the business community (J.P. Ocampo, personal interview, April 6, 2015).

Access to corporate information by competitors. Listed firms are required to disclose its corporate information which includes financial statements, strategic decisions, partnerships, and business transactions to the public through the Exchange (J.S. Vilar, personal communication, March 16, 2015). This gives the public easy access to information about the company to aid them in making their investment decisions. But the same information will also be accessible to the company's competitors, giving them an advantage over the listed company. Based on the information they have acquired at no cost, they can develop strategies and plan counter measures against the listed company.

Stricter regulatory requirements. A listed firm is responsible not only to its investors but to the general public as well. Any wrong information or malicious intentions of the firm to deceive its investors can affect the whole stock market and the Philippine economy. Because of this, listed companies must comply with stricter requirements imposed by the PSE and the Securities and Exchange Commission (SEC) (J.S. Vilar, personal communication, March 16, 2015).

Before listing, the company who seeks to be listed on the Exchange must comply with a set of requirements found in the listing manual of the PSE. A company must prove not only that it is operational, but also a profitable business venture (J.S. Vilar, personal communication, March 16, 2015). The directors, controlling partners and key officers must be competent and must have no pending cases against them. There must be at least seven (7) directors in which two (2) have to be independent and are non-related in any way to the owners and officers of the company. The company must also adhere to the minimum public offering rule of the exchange, which is based on the amount of market capitalization attained by the company to be listed (J.S. Vilar, personal communication, March 16, 2015). A minimum authorized capital requirement and minimum paid-up capital must be met by the company. Minimum authorized capitalization for companies applying to be listed on the main board of the exchange is Php500 million with a minimum paid-up of Php125 million. For the SME board, minimum authorized capitalization is Php100 million and minimum paid-up is Php25 million (The Philippine Stock Exchange, Inc., 2014).

Once listed, companies are required to comply with the Exchange's disclosure requirements. The Exchange ensures full, fair, timely and accurate disclosure of material information from all listed companies. Listed companies must periodically submit structured reports such as annual report and quarterly report. At the same time, listed companies must also provide information on their recent corporate developments. These disclosures must be made within 10 minutes from receipt or occurrence of any material information that affects the price of the stock in the market (J.S. Vilar, personal communication, March 16, 2015).

The PSE also requires listed companies to comply with International Accounting Standards/ Philippine Accounting Standards or IAS/PAS. This directive for listed companies to comply with the IAS/PAS is part of its program not only to promote transparency but also to elevate its systems, procedures and practices to global standards (The Philippine Stock Exchange, Inc., 2014).

Due to all of these requirements, listing is a very costly activity for family businesses that want to go public. Not only do they need to pay enormous amounts of money, listed companies must also hire professionals and acquire services from legal companies, underwriters, auditing firms, and consulting firms.

Benefits and Advantages of Going Public

Although a number of family businesses have shunned the idea of going public due to the difficulties that will be encountered during the process, there are still those that have listed on the exchange and have become a public company. Based on the interviews conducted with the Marketing Services department and Abacus Capital & Investment Corporation, the following are the common reasons why family businesses have decided to go public:

Access to capital. Going public can grant a company access to capital in lieu of debit through selling its own shares. This capital money can be critical for hiring more people, building facilities and for research and development aimed at creating breakout products and services. Furthermore, it also can be extremely helpful for making important business-growing acquisitions or for debt retirement (J.S. Vilar, personal communication, March 16, 2015).

Once the company is public, it has a new source of capital for any future needs it may have. Following the IPO, a listed firm may return to the stock market anytime, via follow-on offerings or private placements, to raise more funds (J.S. Vilar, personal communication, March 16, 2015).

Visibility and Prestige. Listing also provides greater visibility for the company, which not only attracts investors, but suitable strategic partners as well (J.P. Ocampo, personal interview, April 6, 2015). A listed company gains more visibility through regular disclosures, media coverage, and coverage of its stock by research analysts.

Being a publicly listed company is considered a major achievement (J.P. Ocampo, personal interview, April 6, 2015). It is also considered as a statement — it means a company was able to meet rigorous regulations. This is especially important for companies that eventually want to land deals with bigger customers and business partners as going public provides a sense of corporate stability.

Overall, listing on the exchange increases public perception of trustworthiness due to transparency and better corporate governance which will enhance the company's corporate image (J.S. Vilar, personal communication, March 16, 2015).

Employee benefits. Stock and stock options programs can be offered to potential employees as incentive, bonus, or as part of an employment contract, making the company attractive to top talent (J.P. Ocampo, personal interview, April 6, 2015). Stock option plans align employees' interests with those of the company since they allow the employees' participation in the ownership of the company's performance. As part-owners of the company, a strong sense of ownership and bond is established between the company and its employees. Employees are able to share in the profits made by the company through both stock and cash dividends and may help increase the employees' productivity and loyalty (J.S. Vilar, personal communication, March 16, 2015).

Improved Corporate Governance. Strict regulations imposed on listed firms as well as their visibility and public exposure provides them with incentives to improve their corporate governance. Once a company is listed, it becomes easy for the company to hire highly skilled employees and competent executives. Thus, it becomes a necessity for the company to maintain a professional environment to retain top class talent. Investors are also concerned about how the company is managed and govern because a properly managed company attains better financial performance (J.S. Vilar, personal communication, March 16, 2015).

The Philippine Stock Exchange also aims to promote corporate governance among the listed companies. As part of this initiative, the PSE launched the Bell Awards in 2012. This recognition is provided to listed companies that practice good corporate governance. Apart from this, the PSE requires all listed companies to abide by its corporate governance manual (J.S. Vilar, personal communication, March 16, 2015). These efforts have raised the corporate governance standards of all companies listed on the exchange.

Succession Building. Going public can become an effective tool for succession building as it ensures the continuation of the business and simplifies the task of estate planning. For family businesses, it is important to create a stable company that can operate for a long time to be able for the founder to pass on the business to the succeeding generations. Listing a family business can help professionalize it which will make it more profitable and stable (J.P. Ocampo, personal interview, April 6, 2015). Apart from this, members of the family are better trained for leadership if they work in a company that is professionally run. It makes it also easier for the founder to choose his successor among the family members who are performing well inside the company.

Another big issue for family businesses is the distribution of wealth once the founder of the business passes away. Being a public company resolves this issue as inheritance can be passed on in the form of stocks of the company. This method is also more cost effective. Section 84 of the national internal revenue code of the Philippines states that a net estate of over ten million pesos is subject to a twenty percent estate tax. On top of this, a graduated tax schedule of payment has to be followed. If the family firm is publicly listed, the stock transaction tax and broker's commission fee will only amount to approximately two (2) percent of the market value of the shares (J.S. Vilar, personal communication, March 16, 2015).

CASE ANAYSIS I: D&L INDUSTRIES INC.

Background

D&L Industries is one of the most dominant industrial firms in the Philippines and is the market leader in the field of chemical processing. The company was started by two brothers who are both chemical engineers, Dean Lao and Leon Lao. They established the firm in 1963 as a sole proprietorship. The company is known as the first in the Philippines to offer custom-blended colorants in the plastic industry (D&L Industries, Inc., 2012). In 1971, D&L Industries was incorporated, and at the same year, ventured into the production of chemicals for plastics, additives, paints and inks. Production of food ingredients was added into the business operations in 1985 (D&L Industries, Inc. , 2012). As it ventured into different businesses, the corporation grew causing the need for restructuring. It commenced in 1985 as different operations of the business were transferred into various subsidiaries. Expansion and modernization of production facilities simultaneously took place (D&L Industries, Inc. , 2012). Currently, D&L has four main lines of business summarized below:

Food ingredients. The company established Oleo-Fats Incorporated in 1987 to look into the possibility of venturing into food ingredients manufacturing through the use of raw materials that are native to the Philippines – primarily coconut oil (D&L Industries, Inc., 2012). It started operations in the same year with the commissioning of its batch-type chemical refining line. A milestone was reached in 1998 when it started to operate its first continuous refining plant. In 2006, expansion and growth was pursued by the company through the launch of its specialty food ingredients business (D&L Industries, Inc., 2012).

Currently, Oleo-Fats serves the biggest food manufacturers and restaurant chains in the country and abroad.

Colorants. D&L has two subsidiaries that specialize in custom-blended colorants. First in Colours (FIC) was established in 1988 to produce color masterbatches, dry colorants, additives, and engineered polymers for the Philippines' plastic industry (D&L Industries, Inc., 2012). Incorporated in 2006, D&L Polymers and Colours (DLPC) offers the same products but is located in one of the country's export processing zone to take advantage of the tax incentives in the area (D&L Industries, Inc., 2012).

Powder Coating. D&L established Corro-Coat, Inc., a separate firm that took over its powder coating division. It was the first business that the Lao's listed on the exchange in 2000. In 2006, the company acquired an affiliate company, Chemrez Inc., which produced resins, oleo chemicals, and various other specialty chemicals (D&L Industries, Inc. , 2012). This business is now known as Chemrez Technologies Inc. due to the company's branding strategy (D&L Industries, Inc., 2012).

Aerosol Products. Starting in 1976, the company embarked on the business of producing aerosol products for maintenance chemicals, home and personal care (D&L Industries, Inc., 2012). It became the first company in the country to produce and distribute aerosol cans and introduce services such as contract filling and compounding. This business was spun-off in 1989 when Aero-Pak Industries, Inc. was established. The company continued to expand its line of products. In 2002, Aero-Pak offered non-aerosol products such as disinfectants, insecticides, polishers, and liquid soaps to their costumers (Aero-Pak

Industries, Inc., 2015). At present, Aero-Pak continues to lead this market in the Philippines (D&L Industries, Inc. , 2012).

In preparation for their listing, the company had undergone consolidation and corporate reorganization in 2012. As a result, Oleo-fats, FIC, DLPC and Aero-Pack became wholly owned subsidiaries of D&L while Chemrez Technologies remains as a separate listed entity (D&L Industries, Inc. , 2012).

Going Public

As the company grew and profited, the owners saw the need to professionalize their business to ensure that its success will continue, giving opportunity for the future generations to take part in building the company (A.D. Lao, personal interview, September 23, 2014). At first, the company had a lot of hesitations regarding listing their businesses on the stock exchange. One of their biggest concerns is the security of each family member once their family business goes public. Due to the media exposure given to public companies, the family owners of D&L Industries feared that information regarding their wealth will be accessed by kidnap for ransom groups (A.D. Lao, personal interview, September 23, 2014). During the time when the family was pondering on going public, kidnappings were rampant in the Philippines. Kidnap for ransom syndicates at that time target mostly Chinese-Filipino businessmen.

Another apprehension of the firm was the regulatory requirements and other tasks involved in listing the company. Since the process is not familiar to the family, they were concerned about both cost and effort that is needed to conduct a successful listing exercise

(A.D. Lao, personal interview, September 23, 2014). Apart from this, the usual fear that competitors will be able to get access to company information through the disclosures of the company once it listed persists among the family members managing the business.

Their solution to these apprehensions is to conduct a trial listing to be able to learn from the experience of listing a company. In 2000, the family listed Corro-Coat, Inc. one of their smaller firms in the second board of the Philippine Stock Exchange. Listing a smaller company first was their way of testing the waters in preparation for their plan to list the whole of their business (A.D. Lao, personal interview, September 23, 2014). Listing a smaller firm gave the family an opportunity to acquaint themselves with the process of listing and the disclosure requirements while listed on the Exchange. Listing a smaller firm also attracts less public attention. As a result, the privacy of the family is somehow kept (A.D. Lao, personal interview, September 23, 2014).

After the successful listing of Corro-Coat, Inc., the company started to prepare itself for the listing of D&L Industries. The family committed itself to professionalize the firm (A.D. Lao, personal interview, September 23, 2014). They hired a top caliber auditor in the Philippines certified by the Securities and Exchange Commission as a Category A auditor[1]. The operations of the business complied with ISO 9000 standards. The firm also started hiring professional employees from well-known multinational firms (A.D. Lao, personal interview, September 23, 2014).

Due to these initial preparations, the actual listing process for the company took only six

[1] Category A Auditors maintain the strictest standards in auditing. It is the highest certification that an auditing firm can receive.

months after its final decision to list D&L Industries (A.D. Lao, personal interview, September 23, 2014). To be able to attract more investors, a corporate restructuring was conducted to fold all subsidiaries into the parent firm (D&L Industries, Inc., 2012). D&L Industries sold 1,071,429,000 primary common shares with par value of One (1) Philippine Peso (approximately 0.02 US Dollars) at an offer price of Php 4.30 (USD .10). At the time of the IPO, the shares of D&L were two times oversubscribed due to the positive feedback of investors. Their shares were sold to both domestic and foreign investors. The successful listing raised Php 5.3 billion (USD 120 million) for the company (D&L Industries, Inc., 2013).

Recently, the shares of D&L Industries continue to do well in the stock market. After listing, the stock price doubled in a span of five months. At present the stock price is trading at Php 20.20[2] (USD .45) per share (Bloomberg L.P., 2015). At the time of the interview, the company was trading 20 times its PE (Price to Earnings Ratio). This was up from 11 times PE during the period of listing (A.D. Lao, personal interview, September 23, 2014).

Outcome of Going Public

The company considers its listing exercise as a success not only because of the money they raised but mostly due to noneconomic benefits that the company attained after going public (A.D. Lao, personal interview, September 23, 2014). Mr. Lao cited four (4) noneconomic benefits that the company acquired after listing on the exchange:

Enhanced Corporate Image. According to Mr. Lao, going public raised the company's image as they were able to gain recognition from the industry and the Philippine business

[2] Data as of July 13, 2015

community (A.D. Lao, personal interview, September 23, 2014). Through media coverage, the company gained exposure making them more visible to the public. This was an added benefit because the company is operating as a business to business venture. Thus, their company is rarely recognized by the general public. Due to the acclamations that the company received after listing, the Lao family considers going public as one of their biggest achievements (A.D. Lao, personal interview, September 23, 2014).

Corporate Governance and CSR Initiatives. Going public improved the company's corporate governance as a result of compliance to the regulatory requirements of the stock exchange. Having capable independent directors on-board the company provided valuable insights to the company. The company always ensures that it strictly abides by the corporate governance code of the exchange. Apart from this, being accountable to the shareholders of the company also motivated both employees and owners of the firm to work hard for the success of the business (A.D. Lao, personal interview, September 23, 2014).

Going public also motivated the company to increase its CSR initiatives. As a listed entity, the owners felt more responsible for the general welfare of the Filipino people. The success of the company had also driven them to give back to society. CSR initiatives of the firm were made more public to complement the firm's PR efforts. The company regularly provides book donations to public schools as part of their CSR efforts (A.D. Lao, personal interview, September 23, 2014).

Employee Satisfaction and Motivation. The owners were glad to notice that both employees and managers of the firm became more motivated and driven after the company went public. Mr. Lao mentioned that being listed was a major milestone for the employees of the firm because they felt that the success of the company was due to their invaluable contributions (A.D. Lao, personal interview, September 23, 2014). Apart from this, hiring top talents was made easier due to the firm's status as a listed entity. The company will also be able to take advantage of a stock option plan to further reward and motivate its employees (A.D. Lao, personal interview, September 23, 2014).

Supplier and Customer Relationship. A major advantage that going public has provided the company is its improved relationship with its suppliers and customers. As a listed entity, the company found it easier to deal with suppliers due to the credibility that listing provides for the firm. It became easier for the company to negotiate better deals with its suppliers and seek new suppliers as well (A.D. Lao, personal interview, September 23, 2014).

Dealing with customers also became easier after going public because of the company's enhanced credibility. Going public gave customers the impression that the firm's products are superior in quality over its competitors. The exposure that listing provides also helped the company attract new customers (A.D. Lao, personal interview, September 23, 2014).

Summary of the Study

Overall, the Lao family was very pleased with the outcome of listing their family business due to the non-economic benefits that they had acquired. Although there were initial apprehensions to go public because of the possible negative impact on the family and its business, they still decided to push through with the process to strengthen their business for the family's welfare (A.D. Lao, personal interview, September 23, 2014).

For D&L Industry, Inc., going public enhanced the professionalism of its workers and management, strengthened the company's image, improved its visibility, helped the company attract and retain talented employees, provided motivation to continue and improve its CSR efforts, and enhanced the company's credibility among its suppliers and customers (A.D. Lao, personal interview, September 23, 2014). It was clear from the interview that non-economic factors were used as both considerations for the firm's decision to go public and factors that affirms the company's decision.

CASE ANALYSIS II: CENTURY PACIFIC FOOD, INC. (CNPF)

Background

CNFP is known in the Philippines as the leading company in the canned foods industry. The firm currently owns the strongest brands and continues to expand by offering new products to the market. The 35 year old company started as an OEM manufacturer producing for customers who distributes canned tuna and other products (C.S. Po, personal interview, September 25, 2014). It was established in 1978 by Richard S. Po, the patriarch of the family business. In a span of five years, it became the biggest canned tuna exporter in the Philippines (Century Pacific Food, Inc., 2014). Realizing the advantage it had due to its established distribution system, the company decided to introduce their own brand to build up its selling power (C.S. Po, personal interview, September 25, 2014). In 1983, CNPF ventured into the canned sardines business when it launched 555 Sardines to the market. Century Tuna, its most popular brand, was introduced three years later. In the succeeding years, the company grew by introducing new brands and acquiring already established brands. Currently, CNFP brands can be classified into three groups: seafood, meat and dairy products:

Seafood. CNFP is mostly known for its canned seafood products: Century Tuna and 555 sardines. It manufactures, distributes and sells its products through its three subsidiaries: Century Canning Corporation (CCC), which handles the selling and distribution of the products, Columbus Seafood Corporation (CSC), which operates the manufacturing plant for sardines and General Tuna Corporation (GTC), which is a tuna processing company that caters to both local and foreign markets (Century Pacific Food, Inc., 2014).

Meat. In 1994, the Pacific Meat Company, Inc. (PMCI) was incorporated to manufacture canned meat and frozen processed meat. Its canned and processed meat business is well known for two of its market leaders: Argentina corned beef and Swift (Century Pacific Food, Inc., 2014).

Dairy. The company also owns well-known dairy brands such as Birch Tree, Angel, Home Pride and Kaffe de Oro under its subsidiary Snow Mountain Dairy Corporation (SMDC) which was incorporated in 2001 (Century Pacific Food, Inc., 2014).

Similar with D&L, the company had undergone corporate restructuring to prepare itself for listing on the exchange. It folded up each subsidiary into the CNFP, which acted as the holding firm for all the business segments (Century Pacific Food, Inc., 2014).

Going Public

The company started to welcome the idea of going public during the current Bull Run in the Philippine stock market that started in 2010 (C.S. Po, personal interview, September 25, 2014). As the country's economy continue to improve due to the good fiscal policy that the government has put in place, valuations continue to stay attractive. The company saw this as an opportunity to maximize their IPO once they go public (C.S. Po, personal interview, September 25, 2014).

Despite this, it still took some time for the company to make the decision to go public due to the apprehensions they have regarding listing. First of all, going public will provide competitors access to their corporate information. As a company operating in a competitive industry, the confidentiality of information which relates to their business transactions, strategic decisions, and financial performance is well prioritized. Once listed, the company must regularly disclose these matters. Apart from this, the additional work due to regular disclosures and compliance to other regulatory requirements of the stock exchange was also a concern (C.S. Po, personal interview, September 25, 2014). To be able to accommodate these new duties, the company must hire additional people to their company. Lastly, the owners were also worried about the readiness of the company to go public. They wonder if the company will be able to live up to the shareholder expectations (C.S. Po, personal interview, September 25, 2014).

Nevertheless, the decision to go public prevailed. It took them 10 months for the company to list on the stock exchange (C.S. Po, personal interview, September 25, 2014). With the help of a local financial advisor, they started to accomplish all regulatory requirements while preparing to sell their shares.

Similar to D&L, the company did some restructuring to consolidate all their businesses before listing. This was done to add more value to the listed entity so that they will be able to attract more investors to invest in the firm. Century Pacific Food, Inc. sold 229,654,404 primary common shares with par value of One (1) Philippine Peso (approximately 0.02 US Dollars[3]) at an offer price of Php 13.75 (USD .30) (Century Pacific Food, Inc., 2014). At the time of the IPO, the shares of Century Pacific were three and a half times oversubscribed as the demand from investors was very high due to the popularity of the company. Their shares were sold only to domestic investors (C.S. Po, personal interview, September 25, 2014). The successful listing raised Php 3.2 billion (USD 71 million) for the company (Century Pacific Food, Inc., 2014).

Recently, the shares of Century Pacific continue to do well in the stock market. After listing, the stock price increased by 50% in less than a year. At present, the stock price is trading at Php 18.32[4] (USD .45) per share (Bloomberg L.P., 2015). At the time of the interview, the company was trading at around 20 times its PE (Price to Earnings Ratio).

Outcome of Going Public

The IPO of Century Pacific was considered as the most successful IPO in 2014 and was recognized as the Philippines' 2014 Deal of the Year during the Asset's Triple A Awards (Century Pacific Food, Inc., 2014). Apart from it being a fruitful capital raising activity for Century Pacific, Mr. Po mentioned the following non-economic benefits

[3] Exchange rate as of July 14, 2015 where 1 Philippine Peso is equal to .022 US Dollars
[4] Data as of July 14, 2015

attained by the company by going public:

Improved Corporate Governance. According to Mr. Po, the process of going public and the regulations that needs to be complied with as a listed firm have brought improvements in the way the company operates and manages its activities. Because the listing procedures were very detailed, the company was able to check for problems and inconsistencies in their processes and operations. There was a lot of added work although these efforts were able to contribute in building a stronger foundation for the company, preparing it for further growth and expansion (C.S. Po, personal interview, September 25, 2014).

Bringing two independent directors on board was also effective in enhancing the decisions made by the company. The need to explain to people outside of the company before deciding on a particular matter made decision makers reflect more on their decisions. Having all important decisions taken up by the board of directors as a group benefitted the firm in two ways. First, it provides for the necessity of explaining. Mr. Po realized that answering questions from an individual outside of the family is value adding. Second, it prevents inbred thinking. Someone who has a different view on things or a new way of thinking adds to the discourse, contributing valuable insights to the group (C.S. Po, personal interview, September 25, 2014). Being accountable to other shareholders of the company also drives the owners to be more careful with their strategic decisions.

Employee Satisfaction and Motivation. Similar with Mr. Lao, Mr. Po noticed an increase in motivation among both executives and employees of the firm. Executives and employees who have invested their careers in the company became a lot more driven.

They felt that the company had entered a new stage in its history through their collective hard work and perseverance. They are committed towards working for a brighter future of the company even without stock options. They were able to associate themselves with the company and its success because they helped build the firm (C.S. Po, personal interview, September 25, 2014).

Nevertheless, the owners are planning to offer a stock option plan to their executives and employees to reward them for their hard work and loyalty to the company (C.S. Po, personal interview, September 25, 2014).

Succession Planning. Going public makes the business a safety net for the next generation of the family. It gives them an advantage because working for a well-run listed entity provides them with the best education to prepare them for the real world (C.S. Po, personal interview, September 25, 2014). Although professionalizing the firm means bringing in top talents from outside the company to work as managers, it does not mean that family members can no longer participate in running the business. In reality, it provides a better training ground for family members to build their competence and leadership ability. According to Mr. Po, the family tries its best to separate business matters from family matters. As much as possible, the future head of the business should be the one who is most deserving of the position, regardless of whether that person is a family member or not (C.S. Po, personal interview, September 25, 2014).

Summary of the Study

Overall, the family thinks that the benefits of going public outweigh all the costs involved in the process. Listing the company promoted discipline among both employees and executives due to the rigorous process involved in the activity. Going public also empowered a significant number of employees who identify themselves with the company. After going public, the company also benefitted from opinions of investors, which provide an alternative way of thinking. Listing also made the company invest in relationship and forced itself to invest in information technology (IT) and people for growth. As a result of these changes, the company and its owners became more forward thinking, focusing more on the future rather than the present (C.S. Po, personal interview, September 25, 2014).

Although the motivation of the company to list was financial in nature, factors that affect its view on listing were non-economic. The owners of the firm were satisfied with their decision to go public due to the non-economic benefits involved. Financially speaking, the process was not fully utilized to bring the maximum amount of capital into the firm. Float levels of the company were kept at a minimum and international investors were not tapped (C.S. Po, personal interview, September 25, 2014). The company could have easily doubled the amount of money they have raised but the fact that they did not only proves that non-economic factors were also involved in their decision to go public.

As summary, provided below is the comparison of responses from the two corporations interviewed for this study:

	D&L INDUSTRIES	CENTURY PACIFIC FOOD, INC.
Contributing Factors to the Decision to List	- Need to professionalize to preserve family welfare - Prepare business to withstand in the long run	- Attractive valuations - Professionalize business - Way to prepare business in the long run
Initial Apprehensions	- Family security - Corporate information will be readily accessed by competitors	- Public information can be accessed by competitors - Extra work (regulatory requirements, disclosures) - Readiness of the organization
Derived Benefits	- Professionalism, visibility, hiring, enhanced credibility - Family pride and confidence	- High expectation for growth - A perspective that looks forward to the future - Encouraged to invest in IT and people for growth - Investing in relationship, who to partner with
Employee Motivation	Motivation of management influences employees to become motivated as well	More motivated given the new stage in the company's history. More pride in their work
Corporate Governance	Pressure to improve corporate governance not just to comply but to create a better foundation for growth	Improved CG helps the company institutionalize good practices to be able to withstand in the long run
Corporate Social Responsibility	CSR initiatives are more visible and vocal	Strived to do more CSR activities

Table 5. Summary of interview responses for D&L Industries, Inc. (A.D. Lao, personal interview, September 23, 2014) and Century Pacific Food, Inc.(C.S. Po, personal interview, September 25, 2014).

Conclusions and Future Research

The responses of both executives show that non-economic factors were the key considerations of family businesses in their decision to go public. It took decades for both families to go public due to factors that point to the preservation of their SEWs. In particular, the loss of privacy, threat to personal security, and access to information given to competitors are the main reasons which caused initial apprehensions for the owners to take their businesses public. On the other hand, non-economic factors like professionalization of the family business and estate planning were the key considerations to why both companies decided to go public. The two interviewees also showed extreme satisfaction on the outcome of their decision to go public due to non-economic reasons: increased motivation of employees and managers, improved relationships with suppliers and buyers, and better public exposure for the company. Thus, it can be concluded that although going public is primarily an economic exercise that aims to provide companies with capital for their business activities, factors that affect Filipino family businesses in their decision are mostly non-economic and are aimed to increase or preserve their Socioemotional Wealth. This research may be applied to stock exchanges in Asia Pacific that have a low number of listed companies due to their economies primarily dominated by family businesses, especially countries in Southeast Asia. It may provide some relevant information to players in the capital market such as investment banks, financial advisers, and stock exchanges that have roles to encourage private companies to go public. It may help these institutions develop more feasible strategies in marketing the concept of listing and going public to private family businesses in their respective countries.

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Appendix

Relevant Philippine Macroeconomic Data

Indicator	2011	2012	2013
GDP Growth (in %)	3.7	6.6	7.2
Ave. Inflation (in %)	4.8	3.2	3.0
Exchange Rate, End of Period	43.93	41.19	44.39
GIR (in US$ Bn)	75.30	84.25	83.7
Ave. 91-Day T-Bill Rate (in %)	1.37	0.18	0.01
7-Year T-Bond Rate, Latest Auction (in %)	5.02	3.98	3.77
Debt to GDP Ratio (in %)	50.9	50.5	51.5
Unemployment Rate (in %)	7.0	6.8	6.7
WEF Competitiveness Ranking	75	65	52

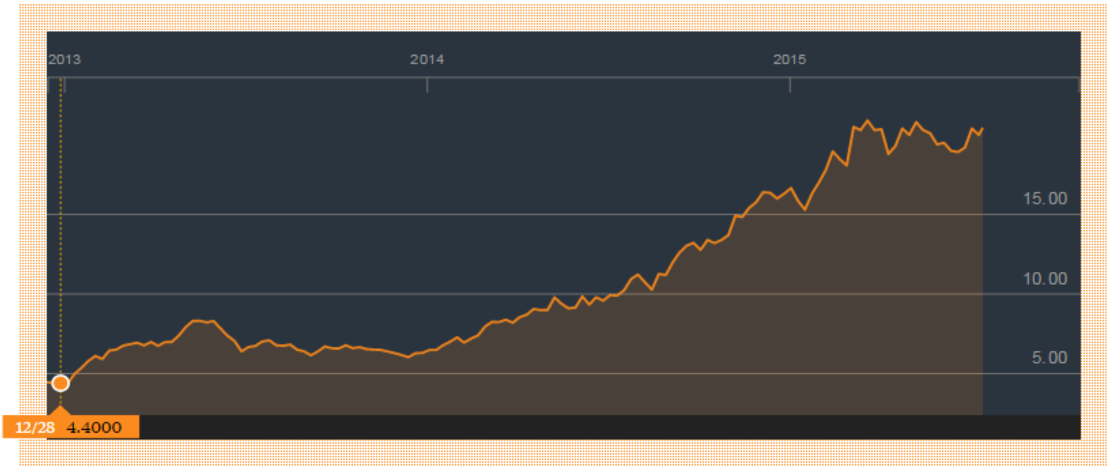
Source: National Statistics Office, Bangko Sentral ng Pilipinas, Department of Treasury, World Economic Forum's The Global Competitiveness Report

Top Five Southeast Asian Exchanges

COUNTRY	STOCK EXCHANGE	MARKET CAP (In Billions of US$)	# OF LISTED COMPANIES
Singapore	Singapore Exchange, LTD. (SGX)	744.41	776
Malaysia	Bursa Malaysia (BM)	500.39	910
Thailand	Stock Exchange of Thailand (SET)	354.37	584
Indonesia	Bursa Efek Indonesia (IDX)	346.67	483
Philippines	Philippine Stock Exchange (PSE)	217.32	257

Source: World Federation of Exchanges (WEF)

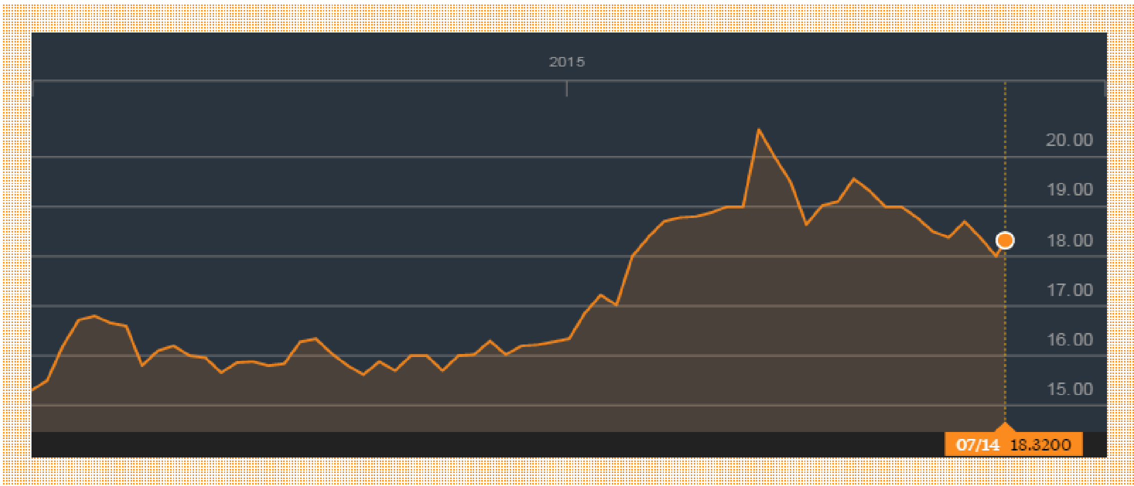
Stock Price Chart: D&L Industries, Inc.



OPEN **20.20**	DAY RANGE **20.05 - 20.65**	VOLUME **6,269,800**
PREVIOUS CLOSE **20.20**	52WK RANGE **9.72 - 21.60**	1 YR RETURN **111.82%**
YTD RETURN **23.71%**	CURRENT P/E RATIO (TTM) **25.59**	EARNINGS PER SHARE (PHP) (TTM) **0.80**
MARKET CAP (B PHP) **73.036**	SHARES OUTSTANDING (B) **3.571**	PRICE/SALES (TTM) **4.08**

Taken from: Bloomberg.com (Bloomberg L.P., 2015)

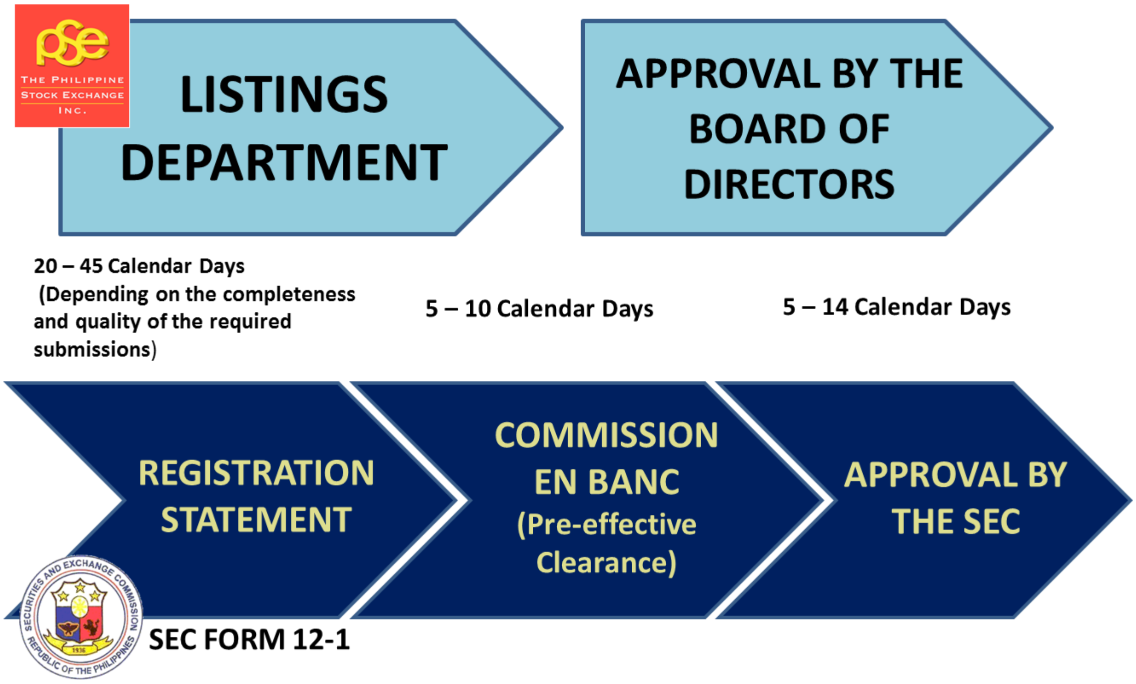
Stock Price Chart: Century Pacific Food, Inc.



OPEN **17.98**	DAY RANGE **17.98 - 18.40**	VOLUME **61,100**
PREVIOUS CLOSE **17.98**	52WK RANGE **15.32 - 20.60**	1 YR RETURN **15.22%**
YTD RETURN **12.12%**	CURRENT P/E RATIO (TTM) **22.63**	EARNINGS PER SHARE (PHP) (TTM) **0.81**
MARKET CAP (B PHP) **40.872**	SHARES OUTSTANDING (B) **2.231**	PRICE/SALES (TTM) **1.83**

Taken from: Bloomberg.com (Bloomberg L.P., 2015)

The Listing Process.



Date taken from The Philippine Stock Exchange, Inc.

Indicative Timetable

Activities	Trading Days 5	10	15	20	25	30	35	40	45	50	55	60
A. Filing												
Issuer simultaneously files the registration statement with the SEC and the IPO listing application with the PSE.												
B. Processing & Evaluation												
PSE Listings Department evaluates the IPO listing application and submits its recommendation to the PSE Management.												
PSE Listings Department presents the IPO listing application to the PSE Management												
PSE Management recommends to the PSE Board of Directors the approval of the application.												
C. Roadshow Presentation												
D. Bookbuilding												
E. Offering Period												
Undertaking to subscribe to the Offer Shares by the Trading Participants												
PSE Trading Participants undertakes to subscribe to the Offer Shares. The PSE Listings Department confirms with the Underwriter the total number of Offer Shares taken up by the PSE Trading Participants.												
F. Post Book-building and Offering												
Issue Manager consolidates the sales reports; prepares the checks for refund (if any); facilitates lodgement of Offer Shares; prepares for the listing ceremony.												
Lodgement of Shares for Listing												
G. Listing of Shares in the PSE												

Date taken from The Philippine Stock Exchange, Inc.

Photos from the Interviews

Photo on the left: Taken with Mr. Jose Antonio Vilar, Head of the Marketing Services Department of the Philippine Stock Exchange

Photo on the right: Taken with Mr. Alvin Lao, Chief Finance Officer of D&L Industries