Coping Mechanisms of Philippine Family Firms to External Shocks

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I. INTRODUCTION

The business environment in the Philippines can be described as anything but stable. While there have been periods of progress, it could also be said that periods of gloom have been caused more by political volatility rather than by poor economic policies.

The Philippines has been left far behind compared to its neighboring countries that have been able to respond well to the changing global environment. For instance in the mid-80s, East Asian economies, particularly that of Indonesia, Thailand, Malaysia, and Singapore were fast developing, encouraging the inflow of foreign investment (Montes & Popov, 1999). In the 1990s, Singapore, Korea, Taiwan, and Hong Kong were touted to be the newly industrialized countries posting high growth rates. In the aftermath of the 1997 Asian Financial Crisis (AFC), Thailand experienced a resurgence in foreign investor confidence despite the crisis emanating from its failure to support their foreign and domestic borrowings. In all this, even as the Philippine government was prudent in their finance and economic policies, the country had failed to gain in foreign direct investment, thus leaving the country to thrive from consumer spending (Hoon, Hoon, Hua, Singh & Yam, 2000). The country simply cannot seem to get over its boom-bust economic cycle (Lim, 1999); thus, Philippine businesses continue to operate under an unhealthy environment, marring its ability to compete in the global market.

After the crisis that affected other Asian countries, Thailand instituted much needed reforms, on family business governance. On the other hand, even if the Philippines had done the same, it was not able to re-establish investor confidence.

Understandably, the difference in response to external shocks has more to do with the context within which businesses operate. Burrows and Scase (as cited in Goffee, 1996) points that the “historical, political and socioeconomic circumstances” greatly influence business functions. While similarly colonized by easterners and sharing basic Asian values, the Philippine context is different perhaps not helped by the fact that the country has over 7,100 islands. As the only predominantly Catholic Asian country, the nation’s population growth has been unabated, leaving 40% of about 86 million people subsisting below the poverty threshold. Disunited, disillusioned, but still hopeful, the Filipino people and their situation are different from its neighbors.

Like most countries in Asia and around the world, the Philippines has its share of family businesses. The share of the top ten families in the total market capitalization is 52.5 percent, comparable to that of Indonesia and Thailand’s top ten families whose contributions are 57.7 and 46.2 percent respectively (Clasessens et al. cited in Khan, 1999). Whatever the influence of these businesses on the economy, the bulk still come from the small and medium- sized firms; therefore, they too must survive to help pump up the economy.

Research suggests that failure rates in both stable and volatile environments, are higher for firms that are smaller in size (Gaskill, Van Auken, & Manning, 1993; Penrose, 1995). The reasoning is that smaller businesses suffer from managerial deficiencies that result from inexperience and lack of technical and managerial skill. Moreover, they lack, or do not have access to finance that is considered critical for growth, thus, when the Philippines experienced widespread brownouts over a three-year period, many smaller businesses closed down as they

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could not afford the cost of generators (Medalla, 2002). And yet, smaller firms are said to have an advantage over larger firms because of the elements of flexibility, innovation, and responsiveness (Fiegenaum & Karnani, 1991). While the larger firms can take advantage of scale economies and can compete globally, they are stereotyped as being sluggish, rigid, and complacent (Majumdar, 1999). As proof, in the period prior to the power crisis, there was a large increase in the number of small and medium sized enterprises in the Philippines (Medalla, 2002).

Business size is but one of the factors that account for the difference in response to the external environment. Intuitively we know that responses of local family businesses would differ depending on their own internal reality. Leach (as cited in Goffee, 1996) claims that differences may come from "structures, cultures, and life cycle stages of family businesses." Thus, it is easier to understand that while companies in the same industry face the same industry dynamics, their response to external crisis would differ as their configuration may be affected by their own internal crisis.

The study of how Philippine family businesses have adjusted to its volatile environment and how they have developed resilience is best done by examining individual businesses within their own reality. Each businessman would be working within his or her internal configuration and consequently the complexity and challenges that he/she must face would differ. Some companies may be simple while others may have more complex ownership structures. It is not difficult to presume that each company would be working with its own history and mix of resources. If this were the case, then it is likely that businesses would respond differently to both internal and external stimuli.

In a firm's life cycle, it is likely that a business shall have moments of stability and moments of volatility (Majumdar, 1999). Internal turbulence may result from change in structure, ownership, and leadership; it may result from marriage, birth, death, separation, or simply the inability of family members to work well together. Simultaneously, a business is confronted with changes in the external environment. Economic progression or recession, changes in political leadership, deregulation, intensified competition brought about by globalization not to mention changes in technology and consumer behavior pattern, are likely to affect the business regardless of their internal state.

In a stable environment, businesses would behave more predictably and it would be relatively simple to study success and failure factors (Gersick, 1991; Kirkbride, Durcan & Obent, 1994; Majumdar, 1999). The literature suggests that planning is vital to business success and competitiveness. However, in a market characterized by a high degree of volatility as seen in the Philippines, responses of businessmen already saddled with their own crisis, become less planned and thus less predictable (Lim, 1999).

The Philippine environment has been wrought with tragedies. Over a period of 40 years since the late President Marcos was elected and subsequently won a second presidential term, the Philippine economic and political environment spiraled downwards, making it more difficult for the economy to recover after each upheaval. Many of its problems were internal but there were those, like the oil crisis, the AFC, and even the September 11 attack on New York City, that magnified the country's deficiencies. This is the scenario that Philippine businesses face. It is bleak and unpredictable. Yet, businesses, family-owned and otherwise, continue to exist. How are they able to meet the challenges of the environment as they face their own? How are they to meet impending crisis?

This research hopes to explore a pattern from the diverse experiences of families in business. Because families share similar characteristics, their response to, or preparation for, external crisis may converge. If there are similar personal and business circumstances, family businesses may make similar adjustments in organizational form, process, and/or strategy. Thus, it is the intent of this research to arrive at a descriptive model that would help explain how families, having similar internal configurations, would and have responded to the challenges of a highly volatile Philippine business environment. It is through this that the researcher is better able to determine the structure of Philippine family businesses and to help other families better prepare themselves for future crises.

A. Business resiliency and adjustment theories

The search for key success factors that may account for the survival of businesses has been the subject of many research studies. There are researchers who have focused their efforts on the small enterprises while there are those who concentrated on the larger, even older corporations. Proponents of small business management research posit that the entrepreneurs are the lifeblood of any economy (Acs & Audretsch, 1992; Barringer & Greening, 1998; Fiegenbaum & Karnani, 1991; Gaskill, Van Auken, & Manning, 1993; Vesper, 1980; Watson & Everett, 1996). While they are small in size, their sheer quantity is said to account for the majority of activities in the economy. On the other hand, other researchers (Collins & Porras, 1998; De Geus, 1997) prefer the larger organizations for the lessons they can provide. After all, the handful of large businesses, most of which have grown into conglomerates and have survived for decades, greatly influence the national incomes of any country. There have been many approaches in determining the key success factors to business survival. It has been found that the entrepreneur's characteristics play a significant role in the success or failure of a business. When looking at small business performance in their first generation, it is understandable to pin success or failure to the entrepreneur. However, as the firm grows and the leadership of the business move on, theorists have begun to see that the entrepreneur alone cannot account for business survival (Davidsson, 1991). In fact, the study of Collins and Porras (1998) showed that "great" leadership was not a differentiating factor between a visionary company and its comparable company.

The organizational structure is also one angle looked upon in the course of business research. Indeed an organization has its own history, its strengths, and weaknesses (Ireland, Hitt, Bettis & De Porras, 1987). Other researchers have therefore (e.g., Acar & Winfrey, 1994: Barney, 1986) stressed the relevance of organizational culture in business performance. Later, it was highlighted that firms grow in size or move from one stage to another in their organizational development (Dodge, Fullerton, & Robbins, 1994; Murray & O'Gorman, 1994; Terpstra & Olson, 1993). Thus, adapting to organizational changes has become another factor to consider as regards business longevity. Then, theories supporting the open system led researchers (Bourgeois, 1980; Chrisman, Bauerschmidt, & Hofer, 1998; Covin & Slevin, 1989; D'Aveni, 1994; Gaskill et al., 1993; Keeley & Roure, 1990) to affirm that the competitive environment within which the business operates plays a significant role in business survival.

The later models that described key success factors for business survival began to consider the macro variables that are not within the control of organizations. The rapid development of technology for instance has revolutionized how businesses should be managed. Taken altogether, new theories emphasize the fact that the business environment has become more competitive than ever. The situation is described as hypercompetition (D'Aveni, 1994), high velocity environment (Bourgeois & Eisenhardt, 1988), environmental hostility (Covin & Slevin, 1989), and revolutionary change (Haines, 1995).

The sustainable family business model presented by Stafford, Duncan, Dane and Winter (1999) illustrates how both internal and external disruption may affect both the family and the business. They maintain that a response is required from both systems, responses that stem from available resources and constraints as well as objective and subjective measures of success. From their framework, they envision sustainability when the response in both systems does not impede on the success of the other. In a state of volatility however, it may be likely that one of the systems would be compromised although it is always better that in a family business, one should not be simply a functional family but a business that is successful as well.

Volberda (1998) suggests that a possible response of organizations to competitive forces is to possess the combination of efficiency, quality, and flexibility. Suehiro (as cited in Khan, 1999) posits that family businesses have the innate ability to be flexible in decision-making. This flexibility refers to the ability to respond well to changing environments. Adjustments may be made in the value chain or may occur in organizational structure and strategy as well (Hoon, Hoon, Hua, Singh, & Yam, 2000). Regardless of where adjustments are made, entrepreneurial family businesses are seen to possess this quality of flexibility; this is said to build business resiliency.

B. Nuances of family businesses

The study of family businesses has gained momentum over the last decade (Sharma, 2004). Not only have publications increased, especially in mainstream academic journals, the number of family business programs offered by universities has likewise increased. The interest in this field of research points to the unique challenges that families in business face. While organizational and entrepreneurship theory may apply, it is necessary to be sensitive to family issues that make it a distinct field of study.

Sharma (2004) points that there are various levels of analysis that characterize family business research, from the individual moving to the group level, then to the organizational, and finally to the societal. Admittedly there are fewer studies done at the societal level and she suggests that "perhaps it is time to get to the question of why these firms endure, try to understand the impact of fiscal systems on the formations that persist in different environments, and take a look at the role of these firms in their communities" (p. 22).

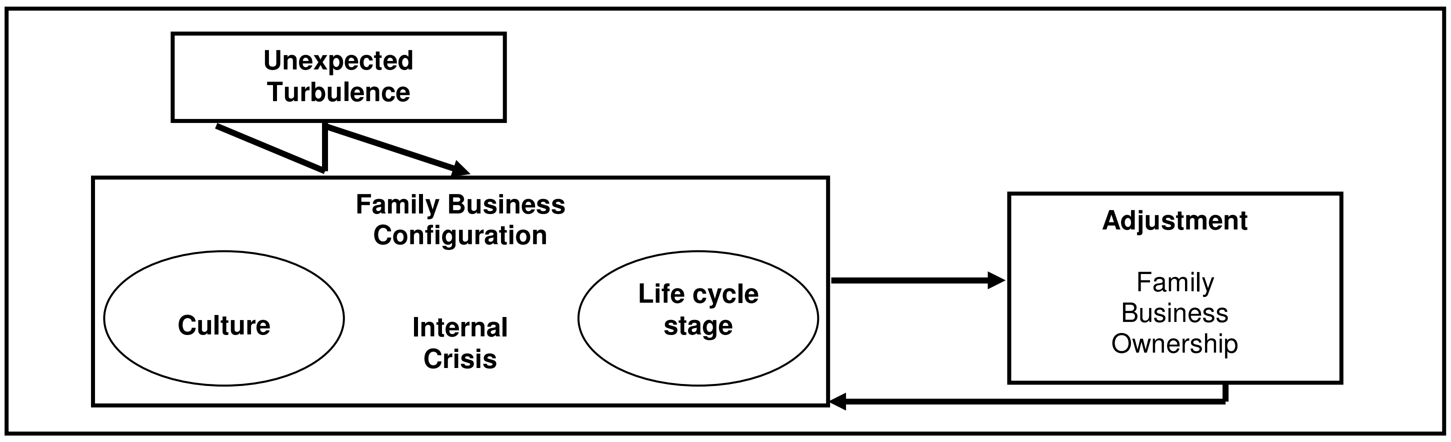
A common concern with family businesses is their inability to differentiate family and business issues (Cohn, 1992). The overlap in systems is seen to threaten business survival. However, as the business evolves in time, the overlap is seen to decrease as more formal systems take place. The difficult period of course is at the point of transition, where families begin to realize that the growth of the company could have been stymied by accommodating the family.

For a young country like the Philippines, there are very few family businesses that are at least 100 years old. Those that have reached the third generation are generally more structured as their organizations naturally evolved. Yet, the majority of businesses is still in their first or second generation and managed by founder-owners or sibling-partners. In these firms, one witnesses the struggle between maintaining family harmony and gaining respectable profits. If this indeed is the situation, how do these firms cope not only with the evolutionary changes but with factors brought about by a turbulent environment?

II. FRAMEWORK

A review of the related literature seems to point that the adjustment mechanisms adapted by family businesses in response to external turbulence is best explained in an integrated model as depicted in Figure 1. Each family business is affected by its family business configuration that is in turn dependent on their culture, their stage in the different life cycle axis and their internal turbulence. Within this reality, business families will develop different coping mechanisms and may respond better or worse to a particular stimulus because of it. When the crisis is over, the experience forms part of the family business history and eventually changes the family business configuration.

Figure 1: Conceptual Framework



The operationalization of this framework is found in Appendix A. In brief, the researcher tried to assess the culture of the organization using Dyer's (1986) cultural configuration of the firm and to determine the stage in the life cycle of the business leader, the family, the owners, the organization, and the industry, by integrating the models of Carlock and Ward (2001) with Gersick, Davis, Hampton and Lansberg (1997).

A. Research design

There are various non-experimental techniques available to researchers to address research questions (Borden & Abbott, 1988). The more traditional survey methodology is the favored approach as the results thereof are generalizable, provided that the appropriate research protocol was adopted. However, to understand individual behavior and build theories, which is the focus of this research, the case methodology becomes the more relevant technique in data gathering. While the case results cannot be statistically generalized across a population, it can be "analytically generalized" to theoretical propositions (Yin, 1994, p.10). Thus, it can substantiate or dispute existing theories.

To guard against criticisms of validity and reliability with the use of the case method, Yin (1994) suggested various case study tactics that include multiple sources of evidence, explanation building, time-series analysis, replication logic, and the case study protocol, to name a few. Essentially, the purpose of the tactics is to ensure that the data collected is accurate, reliable, and verifiable.

Drawing from Yin's (1994) thesis, this study uses the multiple case method to explain adjustment patterns of families in business. As more and more cases are collected and analyzed, robustness is enhanced, and consequently the confidence level is increased.

B. Participants

The conceptual framework suggests that participants of the study must be of different types. This means that the degree of "familiness" of a business may differ as well as the age of the firm, size, and the line of business. This variety is needed to develop a model that could explain the adaptability of family businesses to unanticipated turbulence. Consequently, it is possible that some of the participants would have been exposed to less turbulence than others. Moreover, the degree of influence of a particular turbulence may differ depending on the industry (i.e., certain industries are more affected by particular types of turbulence than others).

Given the various configurations possible, this research is expected to benefit from a larger number of cases. There were several avenues used to identify family business participants. First, students taking the course "Family Business Management" at De La Salle University in Manila, the Philippines were tapped. The students identified family businesses and interviewed the family business owners. The interviews were recorded and transcribed. The students then prepared a short report on the business. The principal researcher reviewed the results and additional data, whenever lacking, were requested. This yielded over three dozen cases although not all cases were used due to insufficient data or substandard work.

A research assistant was also trained and asked to identify and interview family business owners. Through personal contacts, the research assistant was able to interview ten business families. The same documentation procedure was followed. Finally, the principal researcher identified and personally interviewed family business owners who were referred by colleagues.

For all methods of participant identification, the respondents to the interview were current business leaders and family members who were available for interview. As much as practicable, at least two members of the family were interviewed.

C. Instrumentation

The primary source of information came from personal interviews. The interviewees used a basic interview guide and survey form. The case write-ups also followed a basic pattern for comparability.

Essentially, the interview provided information on the historical background of the family business as well as its major family and business milestones. The interviewees were then tasked to recall their adjustment strategies during the AFC, the most recent crisis that was seen to have the greatest impact on businesses.

D. Analytical tools

Each of the families had full case transcripts and write-ups. The family business configuration and the adjustment mechanisms were then encoded in a spreadsheet for cross-tabulation purposes. Cross tabulation was necessary since the study looked into several factors that could affect the family's coping behavior. For instance, responses were grouped according to business size, family business philosophy, ownership structure, stages in the life cycle, and many others.

A grid was then established to show the adjustment mechanism used by families depending on the effect the crisis had on their business—whether it was positive, negative, or none at all, and if negative, how severe. Initially, the research anticipated adjustments in the family system, business system, ownership system, or any combination thereof. After grouping the adjustment strategies, what eventually emerged were six general categories—adjustments in the family system that called for curtailing benefits, adjustments in the business system that resulted in contracted operations, adjustments in both family and business, no adjustments in either systems, adjustments in the family that enhanced family harmony, and adjustments in the business that allowed it to grow despite the crisis.

After establishing the grid, the researcher tried to describe the characteristics of families in each of the filled boxes in the grid using the family business configuration, noting similarities in the group and dissimilarities with other groups. This then led to a theoretical model that could explain

Philippine family business adjustment mechanisms as well as the structure and characteristics of the family business environment.

E. Limitations

Ideally, a more systematic approach to the identification of family business participants would lead to better representation of samples. Unfortunately there are several limitations to this. First, data available from Philippine government agencies regarding family businesses in particular is at best, piecemeal. The Securities and Exchange Commission , where corporations register, the Department of Trade and Industry where sole proprietorships and partnerships register, and the National Statistics Office which conduct yearly surveys on families and businesses, have no system of determining whether a business is family-owned/controlled or not. Consequently there is no list, and thereby no study that can ascertain the quantity and impact of family businesses in the Philippines.

Second, there is still great hesitance among family business owners to participate in government projects or academic research. There is a lack of trust among business owners and thus, family business participants are limited to those willing to be interviewed. As a result, the composition of participants may come from different industries. This will however not run counter to the intents of the research as the variability will enrich the model that is expected to be generated. However, since business students were used to gathering information on half of the participants and most of them identified their family businesses, there was a tendency to have similar family business configurations.

Efforts were exerted to draw out more quantitative data that can better measure the effectiveness of coping mechanisms adapted by family businesses. Unfortunately, the family respondents were very careful in what they revealed and tended to be quite vague. Moreover, the event had happened many years before and thus affected the degree of recall in the information presented. This, however, did not detract from the study as the research was concerned more with how businesses had survived the various challenges brought about by internal and external turbulence. It does not purport to analyze business success nor the effectiveness of strategies on business performance. The focus is on business longevity, not business performance (i.e., on survival rather than success).

There are practical reasons why this research endeavor aimed to limit the discussion and analysis only to the issue of longevity. For one, it is easy to define the term survival. If a business is in existence at the time of the study, then the business has survived. Conversely, if a business has ceased to exist for whatever reason, then it did not survive.

On the other hand, the measure of business success is arbitrary. Business performance is always relative to something and the standards may not be generalized. For instance, a profitability benchmark that might be superior for one industry may not be applicable for another. Even within the same industry, the size of the business may affect profitability levels. Consequently, who is to say one business is more successful than the other?

Ideally it would be informative to interview family businesses that have ceased operations due to turbulence. Unfortunately, there is no accurate data on business closure, much more that of family businesses. Moreover, given the cultural trait of *hiya* (embarrassment), it will be more difficult to gather information from families whose businesses have closed.

The final limitation to the study is that it is not an economics paper. Consequently, the intricacies and relationships of economic and political upheavals are presented only to emphasize that turbulence exists and that this turbulence upsets the business climate.

III. RESEARCH FINDINGS

A total of 67 cases were reviewer and encoded in a spreadsheet for tabulation purposes. The succeeding tables (Tables 1 to 3) present a profile of the family business. When grouped according to employee size, the sample shows that businesses engaged in food production, those registered as sole proprietorships, and those started by Indians, tend to be either micro or small in size.

Table 1: Profile by Sector and Size.

Sector/Classification	Micro	Small	Medium	Large	Total
Food Production	1	2	0	0	3
Manufacturing	1	9	6	2	18
Real Estate	1	1	1	0	3
Service	4	9	6	2	21
Trading	8	10	3	1	22
Total	**15**	**31**	**16**	**5**	**67**

Table 2: Profile by Organizational Form.

Organization/Classification	Micro	Small	Medium	Large	Total
Proprietorship	11	7	0	0	18
Corporation	4	24	16	5	49
Total	**15**	**31**	**16**	**5**	**67**

Table 3: Profile by Ethnic Origin.

Origin/Classification	Micro	Small	Medium	Large	Total
Filipino	11	14	9	1	35
Chinese	3	14	5	4	26
Indian	1	3	0	0	4
Spanish	0	0	2	0	2
Total	**15**	**31**	**16**	**5**	**67**

There were 38 businesses started by entrepreneurs, majority of which were not even college graduates. Twenty of the businesses are still being owned and managed by these entrepreneurs with an average firm age of 23 years. There were three businesses already on the third generation, co-owned by siblings, and had an average age of 66 years. Overall, the average age of the family businesses studied with range from 9 to 93 years is 32.

The 67 family businesses were categorized according to their family business configuration. There were 29 businesses that continued to have informal structures, were predominantly paternalistic, and whose business decisions were primarily made by the business leader. All micro-sized businesses fell under this category. Then there were 22 businesses that were moving towards a more structured environment, were more open- minded, but still paternalistic in nature. Fourteen of the businesses began to rely on professional managers, had clearer role definitions, and were more consultative. Only two of the businesses had a semblance of professional management, with boards that met regularly.

A. Findings by effect of crisis

Taking the 1997 AFC, the families were interviewed to determine how their businesses were able to survive the turbulence that first affected Thailand and later spiraled to include developing Asia, the Philippines included. The crisis could have affected family businesses in four ways: in a positive way, not at all, in a negative way, or in a greatly negative way.

Table 4 is a tabulation of responses by family business members according to the effect of the crisis while Appendix B provides the particular case numbers relative to each response. From the tables it can be seen that there were six families who believed that the crisis brought more opportunities than challenges. Three of the businesses were in the repair of motor vehicles or machineries, two of the businesses were in the restaurant business, and one was engaged in the trading of electrical wires. The families believed it was the nature of their business that allowed them to thrive in poor economic conditions. It was during the crisis that the business operations expanded and for one family, they went to the extent of hiring relatives who lost their jobs just to show their concern.

Table 4: Tabulation of Adjustment Mechanisms by Degree of Effect of Crisis.

Family Business Adjustments	Greatly Affected	Negatively Affected	Not Affected	Positively Affected	Total
Both Family and Business	20	3	0	0	23
Family Adjustments	4	2	0	0	6
Business Adjustments	10	4	0	0	14
No Adjustments	0	9	9	0	18
Positive Family Adjustments	0	0	0	1	1
Positive Business Adjustments	0	0	0	5	5
Total	**34**	**18**	**9**	**6**	**67**

There were nine businesses that did not feel the effects of the AFC. Two of these businesses were in textile and had foreign offices and were therefore not bothered by the fluctuations in their costs of goods sold. These businesses, together with the third garments business and the business that traded in hardware, believed in equity-led-growth. They maintained their liquidity and remained debt-free, as did practically all the other businesses that belonged to this and the previous category. The families who were dealing with food products believed they were selling practical goods and relied on their reputation and their ability to understand their market for their continued profits. The two families operating restaurants felt they were more affected by the bomb threats in the malls than the AFC.

There were 18 businesses that were negatively affected by the crisis but not to a great extent. Because the effects were not devastating, half of the businesses did not require drastic adjustments in their business management strategies. Majority of these businesses had high cash liquidity and used this, plus previous strategies of hedging on principal raw materials, to survive the crisis.

There were 34 businesses that were greatly affected by the AFC; most considering it the worst crisis their business had encountered thus far. Despite this, ten family businesses did not allow the crisis to affect their lifestyles. Half of the families were generally well-to-do and did not rely on their business as a chief source of their income. They maintained high liquidity and their businesses were virtually debt-free. Eight of ten businesses employed less than 30 people. One was a micro-operation employing only four staff while the other was a large organization that reduced its personnel as one of the ways to keep the business afloat. Downsizing was in fact an approach used by five of the ten businesses but all the businesses chose to implement cost-reduction measures especially in energy consumption.

Four of the 34 businesses decided that the family should absorb the burden of the crisis. These were small, informal businesses, so saving the business simply meant each family member doing their part to minimize the economic strain on the business. Most often, this would mean foregoing simple pleasures like dining out on weekends. For these four families, the relationship among members improved because of the crisis.

The rest of the businesses greatly affected by the crisis felt that both the business and family should share in the burden, since the business was their chief source of family income. These were the businesses that downsized and required family members to work doubly hard, without pay, to handle the jobs that terminated casuals and employees once held. Except for three businesses, the others drastically reduced production output and clamped on large variable expenditures like power. Six of the businesses had the misfortune of being in debt as a result of expansion projects just prior to the crisis and concentrated on meeting their obligations.

With respect to adjustments in the family, luxuries were trimmed to a minimum and monthly allowances and privileges curtailed. In two families, this resulted in a worsening of family relations since the family members had been used to living off the business. There were no family meetings to clearly situate the business in the crisis. Generally, those who met often to discuss the family business problem grew closer to one another.

B. Findings by type of adjustment mechanism

It has become apparent that the adjustments, if any, that resulted from the crisis could be evident in the family business environment, the family lifestyle, and involvement in the business, or both. There were no adjustments in the ownership structure as a result of the crisis for the 67 family businesses interviewed, although for one business, a sibling passed away during the AFC so the shares were transferred to the children but were immediately sold to the current business leader.

Adjustments in the business could mean downsizing operations, reducing production hours and output, undertaking cost-reduction measures, changing suppliers, rationalizing orders, lowering selling price, and offering promotions. It may also mean considering other business alternatives. Adjustments in the family could mean hiring family members for minimal pay, requiring them to work longer hours, and cutting down on luxuries. It may also mean using family savings to pump the business, borrowing from relatives, and consolidating investments. For one business, it meant receiving better credit terms from suppliers that happened to be family-related.

Among the 67 companies, 23 families were greatly affected by the crisis and reacted by joining the forces of the family and the business. Only six families felt that the family alone should make the appropriate adjustments to save the business. Even if their businesses were negatively affected by the crisis, 14 families did not make adjustments in their lifestyles and instead worked at better efficiencies in the workplace. 18 businesses were only minimally affected by the crisis, if at all and therefore no adjustments had to be made in the neither business nor family (half of these were in a food-related business). The crisis brought better fortune to 6 family businesses and led to their expansion.

Family businesses rely on the reputation they have built with their customers to carry them through in times of crisis. Forty-four percent of the respondents attributed part of their survival to customers who understood that increases in minimum orders or in selling price was an option taken after considering other options. Thus, the first instinct of family businesses was to cut down on operating expenses. If one would consider only those negatively affected by the crisis, 73 percent of the respondents would consider reducing production hours and output, conserving utilities, minimizing wastage, and eliminating non-essentials. Families with larger investments tended towards a more structured business environment. The crisis taught families how to plan, organize, and control their operations as against simply leading their businesses through instinct. The families began to adopt stricter policies and procedures and were able to identify areas to cut costs and therefore learned to become more efficient. Moreover, more business meetings were held so that resources were managed well.

Prior to changing their personnel complement, families opted to look for other means of reducing expenditures. Four percent began to rationalize orders and prioritize only those that gave better profit margins while 13 percent changed suppliers and even considered substitutions, whenever possible. 19 percent lowered selling prices just to get the sale and ten percent offered some form of promotion. Others introduced value-added products and services just to ensure continued sales.

It is only upon exhaustion of all possible options did family business owners consider laying-off workers, first the casuals and then the more regular employees. Of the interviewees, only 11 resorted to retrenchment during the AFC. The sole family business that reported having a union was able to avoid retrenchment by making the union leaders agree to the deferment of salary increases and promotions as well as the waiver of fringe benefits for the year.

With regard to reaping the benefits of family ownership, families relied on the rest of the family members to give support during times of crisis. The most common adjustment made by families was in their lifestyle. Forty percent of the family business owners would ask their families to restrict their own personnel expenditures, especially on travel and the purchase of cars and other luxury items. Typical allowances, if previously given, were withheld until the business was back to normalcy. Depending on the family relations, this imposition sometimes led to conflict and resentment.

The limited funds available for the family also resulted from the use of savings to meet business requirements. Twenty nine percent of the families interviewed revealed they had to tap on their family savings just to sustain both their family and the business. Five business leaders had to resort to borrowing from relatives when their savings ran dry.

Requesting family members to work in the business even if they had other obligations like school work or a career was an option taken by five business leaders. Eleven requested family to work longer hours, and for some, to have their salaries deferred. These adjustments were made only by families who were very closely knit, had small business operations, and whose family members had prior exposure to the business.

For 17 families, meeting with their family members was essential to their management strategies. They either accept their inability to address the crisis on their own, or they needed the understanding of their children due to the unexpected sacrifice in time, money, and effort. Also, since the business is the primary source of income for most of the families and it is likely that the business would be passed on to the next generation, business owners feel they must present the true picture of the business to the children at points of crises. Due to this exposure, many children began to work with the family business or were consulted more often, way past the crisis. Except for four families, the frequent meetings during the crisis brought the family members closer to one another as it did for eight families who did not meet often during the crisis but who, nevertheless, felt that the family was committed to the business.

C. Findings by business size

Micro-businesses, primarily started by entrepreneurs, were not necessarily affected by the crisis. Because of their size and informal structure, they were likely to bounce up quite easily. All of these businesses had no long-term debts with 50 percent believing that growth should come from savings. These businesses tended to maintain earnings in cash and gauged the success or failure of their business by how much money there was in the bank.

Table 5 presents a tabulation of the number of family businesses by adjustments made by family during the crisis according to size classification. The table shows that if the firm was greatly affected by the crisis, the families would call on other family members, a majority of which had been exposed to the business while still young, to do their part; otherwise, they considered this turbulence simply as challenges of the trade. There was only one micro-business that would not turn to the family for help. This is clearly an exception since the business was given to the son out of a hobby; also, the commitment level was not high since it was not the principal source of income for the family.

Table 5: Tabulation of Adjustment Mechanisms by Size Classification.

Business Size	Both Family & Business	Family Adjustments	Business Adjustments	No Adjustments	Positive Family Effect	Positive Business Adjustments	Total
Micro	3	3	1	7	0	1	15
Small	10	3	11	6	1	0	31
Medium	8	0	1	4	0	3	16
Large	2	0	1	1	0	1	5
Total	**23**	**6**	**14**	**18**	**1**	**5**	**67**

Almost half of the businesses studied were categorized as small. Practically all of the businesses were affected by the AFC but one in a positive way. There were ten families that made adjustments in the business and family. These families tended to believe in growth through savings; unfortunately six of the businesses were not liquid and one had to secure a loan from the bank. This was the primary source of livelihood of all families and the drop in business income greatly affected their lifestyles. For two families, the crisis threatened family harmony.

Three families managing small businesses, founded by entrepreneurs who did not have college degrees and who were patriarchal in the manner they managed their families and businesses, felt that the family should make sacrifices for the business, thereby protecting the livelihood of their employees. The willingness of all family members, who all had prior exposure to the business, to do their share, improved the family's relations.

In contrast, there were 11 families of small businesses that shifted the burden of the crisis to the business. Operations were strictly monitored and the need for efficiencies led to the retrenchment of personnel for five of the businesses. Eight of the businesses were greatly affected by the crisis. Except for one company, the rest of the businesses were in corporate form.

Six businesses categorized as small, did not make any adjustments to the crisis either because the families did not believe they were affected by it or were only minimally affected. There was one business whose operations improved with the crisis, and the experience brought the family closer together, as relatives who had lost their jobs were hired in the company.

There were 16 medium-sized firms that were part of the study. While there were only six businesses greatly affected by the crisis, eight families focused on the family and business to ensure the survival of their business, which provided for the family needs. There was a family that was somewhat affected by the crisis but since the family had other businesses, the family did not feel the effects of the crisis. Moreover, two other businesses slightly affected by the crisis took it as a challenge. Thus, meeting with family members to discuss how the business could be improved to face the challenge, brought the family members closer to one another. The rest of the family businesses profited from the crisis.

D. Findings by business sector

Table 6 shows the tabulation of family responses to crisis by business sector. There did not appear to be any significant difference in the adjustment strategies across sectors, though the following were observed:

First, families in the manufacturing sector tended to manage their businesses more professionally. Only five of the families had a strong family orientation and these were the ones greatly affected by the crisis and had to ask family members to do their share for business survival. Except for three additional families, the remaining families made adjustments in the business alone or none at all.

Second, families in the trading business likewise tended to be dominated by those with strong family orientation. Many of them were negatively affected by the crisis and responses included adjustments in the family system.

Table 6: Tabulation of Adjustment Mechanisms by Sector.

Sector	Both Family and Business	Family Adjustments	Business Adjustments	No Adjustments	Positive Family Effect	Positive Business Adjustments	Total
Food Production	0	0	0	3	0	0	3
Manufacturing	8	0	5	5	0	0	18
Real Estate	2	1	0	0	0	0	3
Service	6	1	4	5	1	1	21
Trading	7	4	5	5	0	1	22
Total	**23**	**6**	**14**	**18**	**1**	**5**	**67**

E. Findings by family business philosophy

A majority of the families interviewed believed that the business was created for the family, as reflected in family business philosophies in Table 7. Thus, in most instances, there were family members, beyond the founders, who were involved in the business. There was a tendency, therefore, to seek the family's cooperation in times of crisis. The more affected the business was, the greater the commitment that was required of family members.

Table 7: Tabulation of Adjustment Mechanisms by Family Business Philosophy.

Family Business Philosophy	Both Family & Business	Family Adjustments	Business Adjustments	No Adjustments	Positive Family Effect	Positive Business Adjustments	Total
Family First	17	4	7	9	1	1	39
Family Enterprise First	5	2	5	7	0	3	22

Business First	1	0	2	2	0	1	6
Total	**23**	**6**	**14**	**18**	**1**	**5**	**67**

On the other extreme are families who believed that the businesses are simply ventures. While this does not necessarily translate to better systems or more consultations, the family members generally felt less attached to the business. Consequently in times of crisis, there was less tendency to call on the family members for support.

There were six families who saw the business as a way of bringing the family together and meeting their financial requirements. These families though were willing to make family members decide their level of involvement in the business. The business greatly affected by the crisis was a family with ten siblings, three of whom had financial commitment to the family business and was thus active in its management. They grew closer together as they made personal sacrifices to ensure the business's survival and after a year of adjustment, their sacrifices paid off as they were able to open a sister company.

Two other companies belonging to this group looked towards cutting production output and retrenching employees in response to rising costs and lower sales volume. The rest were quite optimistic about the situation and refused to have the crisis affect their family or their business.

F. Findings by life cycle stage

There was only one family business whose current business leader belonged to the early adulthood stage. She did not feel the crisis affect their garments business since the family had been working with subcontractors instead of full-time regular employees and they were also able to pass on the increased cost of raw materials to their wholesale buyers.

Unless greatly affected by the crisis, there was a greater tendency for families with business leaders belonging to the age bracket 46 to 60 years old to let the crisis pass. The attitude is likely drawn from their previous exposure to national crises. Some of those who belonged to this group tended to pass the burden of the crisis to the business generally by clamping on expenses and, on occasion, consolidating tasks to fewer personnel.

There was a greater tendency for businesses with leaders over 60 to be more affected by external turbulence although their response to the crisis differed. The factors that appeared to affect their adjustment mechanisms were the organization form, culture, and size.

Similarly, the four families whose grandparents were still actively involved in the business did not perform well during the AFC. They had businesses of varying sizes but the operations were still controlled by the founder, who was expected to decide on his successor. This implied a highly patriarchal or matriarchal environment. Only one of the grandparents did not involve the family in the business crisis. She felt that merely deferring expansion plans and cutting downs costs would help the business survive. She quipped that her experience with crisis has made her even more conservative in business transactions. Indeed, she incurs no long-term debts and would only grow the business if she had the internal resources to do so.

The business and ownership configuration did not appear to have strong bearing on a family's inclination to shift the burden of an external crisis to the family, business, or both. In the sample, even a publicly-listed firm and a joint venture enterprise still called upon their family for support during the crisis, a reaction that would appear counter-intuitive.

G. Other findings

There were three family businesses run by the third generation. Coincidentally, the three businesses were, in some form, in a food-related business. The businesses were not affected by the crisis and if so, in a positive manner. Consequently, adjustments were not required of the family or the business.

There were two family businesses that were professionally managed, they had formal organizational structures, clear delineation of responsibilities, as well as systems and procedures in place. These two businesses were positively affected by the crisis and this further strengthened their belief that their strategies, structures, and processes were strong enough to withstand external turbulence.

There were six family businesses that decided to make adjustments to their family for the sake of business survival. These families were close-knit inward-looking families, operating micro and small businesses, with no formal structures. All family members had exposure to the business even as children and this made it easier to call upon them in times of crisis.

There were 20 family businesses whose children did not have prior exposure to the business and were greatly affected by the AFC. Twelve families called upon their family to help during the crisis but not in the form of participation. The family members were asked to be more prudent with their expenses and to expect fewer luxuries.

Of the 67 family businesses, 14 of these did not serve as the chief source of livelihood for the family. Ten of these families had a balanced family structure, not too close, but also not distant. Notwithstanding, because there were other sources of income, it made more sense to make adjustments within the business if affected by crisis rather than call on family members to ensure that their business survived. Current business leaders of these 14 firms were college graduates who understood business organization, structure, and strategies and nine of the firms were founded by Malay-Filipinos.

Changes in organization processes or strategies were not very evident for most of the families. Perhaps because there was a lot of informality, especially for 47 micro and small businesses; there was a great deal of fluidity. Only 14 families were deliberate in their intent to change their business strategy to stay afloat. It would appear that for the rest of the family businesses, many of which had experienced more than one crisis in their life cycle the family looked at the AFC as just another challenge to hurdle.

For family businesses that have been experiencing internal crises as the external turbulence shook the economy, there was more concern to keep the family intact than to bother about poor business conditions. However the family members were still tapped to do their share in making the business survive by being frugal, as it was the chief source of family income except for one family.

IV. RESPONSE MODEL TO EXTERNAL TURBULENCE

The study of 67 family businesses with diverse backgrounds has shown that the reaction of family businesses to external turbulence is a result of many factors combined. It is possible that a family may share similar backgrounds but their response to crisis may differ simply because of one factor. The grid that follows shows possible factors that may tip a family towards one type of adjustment over the other (See Table 8).

The reaction of a family to an external crisis depends, first on the impact of the event. For a family business greatly affected by the crisis in a negative way, the natural tendency is to call the family for assistance and make adjustments in the business when the business is the chief source of income and when the family shares the business philosophy of "family first." The family alone would bear the brunt of the crisis if on top of this, the family has an informal structure, has very close family ties, and the family members had been exposed to the business while young. These are generally small businesses concentrating on one product line, with close relations with their customers, and whose expansion is considered only if funded through savings.

The family would shift the burden to the business if it has other sources of income, there are no internal crisis at hand, the members are independent-minded and do not have prior exposure to the business. The family is likely to believe that growth can be financed through debt but in all likelihood will not have debt to react in this manner to crisis.

If a family was negatively affected by a crisis but not to the extent that it would bring closure to the business, the family may react in different ways although for a majority of the cases, there would be no major adjustments. The families who are likely to seek help from both the family and the business are those who believe in the close relationship between the two. These are businesses that are without debt and highly liquid. However, the poor business conditions are expected to drain the family savings. Consequently, there is the need for both family and business members to help ensure that the business will be able to hurdle the crisis.

Table 8. Grid of Factors that Tip the Adjustment Responses of Family Businesses.

Adjustment/ Outcome	Greatly Affected	Affected	Not Affected	Positively Affected
Both Family and Business	Chief source of income; family first philosophy	Family first orientation; liquid; no debts		
Family Only	Chief source of income; close family ties; early exposure to business; personal business dealings	Female-led firms; maternalistic; close family ties; early exposure to business; compromise conflict resolution style		
Business Only	Other sources of income; no prior exposure of family members to business; no internal crisis; individuated family members; no debts	Business-minded, orientation normally in firms founded and led by college graduates; no internal crisis; no prior exposure, to the business		
No Adjustment		Business leaders between 46-60 years old; exposure to previous crisis; debt free	Patriarchal families with strong sense of family first; however, engaged in business like export, repair, or caters to provincial markets	

Improved Family			Business with active involvement of family members, perhaps co- owned by many family members; business leader held strong family values and thus help family members affected by crisis; engaged in business that shift customers during times of crisis	
Improved Business				Families who hold either family enterprise or business first philosophy; manage business with greater family participation; likely to have multiple businesses; no internal crisis; engaged in business that profit in times of crisis.

Family businesses led by female business leaders who have a strong voice in the management of the business are likely to be more soft-hearted and thus would not want the employees to be affected by the crisis. Thus, they look to their family, who are likely to have prior exposure to the single product business, to do their respective responsibilities. These are families who also use compromise as the predominant conflict resolution strategy and are therefore generally cooperative and would help in any capacity that is needed, including advancing financial resources.

Family businesses founded and led by college graduates (a distinction because many of the businesses were founded by those without a degree), who tend to be open-minded about their management style, look at the business as a venture. Thus, as long as there is no internal crisis, the business leaders are likely to be professionally oriented, although they would still rely on their ingenuity and can still be egocentric. Since they are more equipped, they are likely to take more risks and use their working capital effectively. This business-like approach, while still a family venture, leads them to look for remedies in the business to address external turbulence. Consequently, they are likely to cut-down on unnecessary expenditures and retrench employees if it becomes logical and necessary to do so.

Finally, there is likely to be no adjustments in the family and business system even if the family business were negatively affected by the crisis if the company is being led by a family member who is in mid- to late-adulthood and who has been exposed to turbulence in the past. It is also likely that the business is debt-free and has safety nets to guard against wide fluctuations that result from crisis; this can be in the nature of their business and their target market.

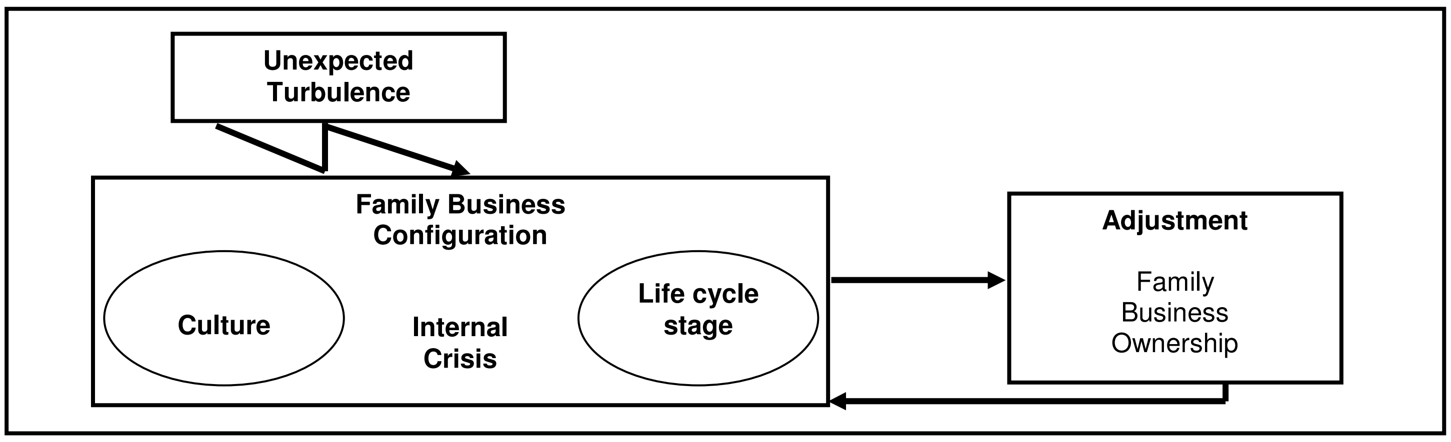
Family businesses that are not generally affected by external turbulence such as the AFC, or are affected in a positive way are those that are export oriented, deals with repairs and fabrication, and that are in food businesses that have good reputations. The family that helped relatives during the AFC had strong family ties, while the families that focused on business expansion likely had weaker ties or were basically more business-oriented.

As a result of the discussion, the following diagram (See Figure 2) appears to be the emerging model for Philippine family businesses.

The results of this study suggest that prior experience with the Philippine business environment has shaped how businesses, family-owned or otherwise, have determined the nature of business to enter into, the size of the organization, the type of organizational structure as well as the financial strategies to adapt. Indeed, tacit knowledge plays a significant role is responding to crisis.

For trials such as the AFC it would appear that some types of family businesses are more prone to be affected than others. This, however, does not imply that certain types of businesses can shield themselves from the various external shocks. In this research, the businesses not affected by the crisis could very well be affected by another type of turbulence and react to such depending on the configuration of the organization at that time.

Figure 2: Adjustment of family firms to external turbulence.



It would also appear that the adjustments undertaken by families depend on how they were affected by the crisis–positively, negatively, or none at all, and if negatively affected, how intense the impact is on the organization. If the family business was the principal source of livelihood for the family, a crisis would trigger a stronger need to protect the survival of the organization and may require the cooperation of the family. If the family members have had prior exposure to the business at the early stages, the contribution comes in the form of labor; otherwise, this would mean adjustments in family lifestyle.

V. Philippine business structure

The businessmen in the Philippines, whether Filipino, Chinese, Indian, or Spanish, have wizened up to the volatile business conditions in the country. Over a 40-year period, which has seen the country move from a democratic society to a dictatorship, then back to democracy, the nation experienced more than a dozen external turbulences. To a typical family business with an average age of 32 years, one can see how business owners have learned to cope.

The study's results suggest that families have learned to choose their businesses well. Generally, families would get into basic commodities and services like food, clothing, and transportation and would also likely consider businesses that could save people money like repairs and refurbishing. Others look for monopolistic opportunities in hometowns, while still others would consider export markets. This quest to look for businesses that require reasonable investment and can withstand the unpredictable economic environment probably explains why there are relatively few Filipino firms engaged in technology and hard manufacturing. This is left to foreign investors who have to come in with their strength and resources.

In terms of size, there are many families wanting to maintain their small operations, hiring no more than 50 people and subcontracting whenever possible. This appears to be a comfortable size, one where the family can be actively involved, can be managed with fewer structures and is located on a smaller property that is preferably family-owned. It appears that there are families that are afraid to expand their operations, not only because it requires more management skill, but more because it may entail borrowing from banks, which is not considered good business practice. There appears to be the fear that the debt will not be paid due to circumstances beyond the family's control such as when a crisis strikes. Thus, many of the family businesses in the Philippines tend to maintain high cash reserves and look at this liquidity as a security blanket. In good times, the family can roll, so to speak; and in bad times, the family manages its family and business expenditures more frugally. This is not to say, however, that there is no ambition for growth. There are families that have consciously decided to keep their businesses small but there are those who are proud that they have expanded operations despite the various crises over the years. There are many Filipinos of varying origins who strove to make empires out of their mom-and-pop operations. These are entrepreneurs who have bitten the bullet and, probably, have used their size to meet the business challenges peculiar to those operating in the country. Indeed, the well-known family business conglomerates are examples of this. Unfortunately, this study had a small sample which does not allow us to draw acceptable conclusions on how larger organizations would generally respond to crises. Further studies can then confirm or dispute the consequences of formality and planning, which are offshoots of largeness, on business survival.

Notwithstanding, because of the high degree of volatility, the study results seems to point that family businesses in the Philippines have traded efficiency for flexibility in order to increase their chances of survival. Aversion to debt, outsourcing, or the use of casual labor, is the manifestation of such a paradigm shift. Current actions of the government to clamp down on so-called "anti-labor" practices can only make it more difficult for local businesses to survive, unless of course the government can present sounder economic policies that would make them commit to business, as businessmen commit to their employees. Otherwise, it looks like the Philippine family business would continue to remain informal and unstructured, relying on the fluidity between family and business resources to keep them afloat.

The negative side to crisis coping behavior might be the slashing of costs at the expense of quality and productivity. If an industry-wide behavior such as this is initiated, the price war will take its toll. While the research did not consider business closure, some families interviewed indicated that they survived the crisis only because their competitors closed down, thus shifting the customer base to them. Inevitably, the price wars suggest that the drive to push quality would continually be sacrificed for as long as business owners fear another crisis cycle.

The challenge is to find ways of leveraging whatever competitive advantage the family business has to retain flexibility, but at the same time maintain or even improve quality. For example, the use of technological innovations may bring about productivity and better quality, as well as the use of information technology that was eventually adapted by some of the family businesses studied.

In supply chains, close collaboration between suppliers and customers seem to help family firms reduce inventory levels and cut costs allowing for innovation to take its place. However, many of the smaller sized businesses studied relied on the bigger companies or even foreign suppliers for their raw materials, thus finding themselves in a squeeze. Government should, therefore, look closely into the web of inter-related industries, instead of particular industries, and provide incentives so Philippine businesses, most especially in the small and medium-sized categories can begin to form alliances.

VI. CONCLUSIONS

The literature suggests that flexibility is a key to survival in a volatile environment, this view is reinforced with the results of this research and what better place to find flexibility than in a family business that can take advantage of the family connection in times of crisis. It is a flexibility borne of the ability to take advantage of family resources and to utilize the perceived weakness of systems overlap to their advantage.

Asking the help of the family may come in many forms. The more exposed the family members have been to the business prior to the crisis, the greater is the likelihood that the contribution to crisis would entail a more committed involvement in the business. Otherwise, sacrifices in the form of belt tightening is the likely alternative, in which case the family would have to rely on adjustments in the business to absorb the shock of the crisis. These adjustments often come in the form of cost reductions which bring to light inefficiencies in structures and processes. Perhaps because family businesses appear to enjoy the flexibility in which the family and the business resources can be readily shared by one or the other, there is less incentive to be formal and efficient.

Regardless of the adjustment mechanism used by family businesses in response to turbulence, the fact that the businesses have survived almost a decade after the AFC, as well as the intervening crises since then, shows the capability of Philippine family business to bounce back. Like the native bamboo tree, the family business can sway with the gentle challenges of business growth or bend backwards seeking the support of the family when there are strong disruptions in the business. One can only guess that businesses without the family network lack this fallback.

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Appendix A

OPERATIONAL FRAMEWORK

A. Family Business Configuration

The family business configuration is described in three dimensions. These are culture, life cycle stage, and internal crisis. Culture refers to the values, beliefs, practices and rituals that a group of people adapts. It is affected by the family pattern, business pattern, and governance pattern. According to Dyer's (1986) model, a family pattern can either be patriarchal, collaborative, or conflicted. To further add to this dimension, the following elements were also looked into: family structure, whether families are enmeshed, disengaged or individuated; family relationship and conflict management style (Sorenson, 1999); as well as family business philosophy–whether families have a family first, business first or family enterprise first, orientation (Carlock & Ward, 2001). The following are definitions of the aforementioned patterns:

1. *Patriarchal Family Pattern.* Father or mother (matriarchal) has final say. Decisions are unquestioned.
2. *Collaborative Family Pattern.* Family members are consulted.
3. *Conflicted Family Pattern.* Family members do not get along with each other.
4. *Competition*. In this conflict resolution style, each party wants to be the victor. The parties aim for a win-lose situation.
5. *Accommodation*. One of the parties gives in to the other so the arguments do not escalate.
6. *Collaboration*. Both parties aim to arrive at a solution where both parties are both satisfied.
7. *Compromise*. Both parties arrive at the mid-point where each is half-satisfied.
8. *Avoidance*. The parties avoid any confrontation with the other.
9. *Enmeshed Families.* This describes families that are close-knit. The family members have closer ties to the family than to friends. There is great dependence on the family and major personal decisions require the approval of the family members.
10. *Disengaged Families*. This describes families that are closer to their friends than family members. The family generally cannot get along with one another.
11. *Individuated Families.* This describes families who are able to balance both personal and family needs. There is closeness and apartness.
12. *Family First Philosophy*. This philosophy is held by families who believe that the family should take precedence over the business. These are families who tend to hire family members regardless of competency level.
13. *Business First Philosophy*. This philosophy is held by families who believe that the business should take precedence over the family. These are families who take the business seriously and would only consider competent family members to work in the business.
14. *Family Enterprise Philosophy*. This philosophy is held by families who try to make adjustments in the business to accommodate family members but not to the extent of jeopardizing the health of the family or the business.

The business pattern was also examined to determine whether the business is basically paternalistic, laissez-faire, participative, or professional. Then finally, the governance pattern looked at how the corporate board functions whether this was simply a board on paper, a rubber-stamp board, an advisory board or an overseer board. The following are the definitions of the aforementioned patterns:

1. *Paternalistic*. This business culture is characteristic of autocratic business leaders who provides both the ends and means in any business activity. Employees are to simply obey all instructions given to them. Financial custody rests with the family. Important to the family

is relationship so policies may differ depending on this relationship.

2. *Laissez-Faire*. This business culture is held by business leaders who allow others to determine the means of accomplishing a task but not the ends or goals.
3. *Participative*. Non-family members are considered equals. They are trustworthy and can thus determine the ends and means in any business activity.
4. *Professional*. This business culture values individualism. Family and non-family members are neither good nor bad. Their performance determines their position in the company.
5. *Paper Board*. Incorporators are only board members on paper. No meetings are held and all decisions are made by the current business leader, sometimes together with the spouse.
6. *Rubber Stamp Board*. Board meetings are held with other board members but all decisions are already made by the business leader. The meetings are for purposes of information only. If there are discussions, the business leader has the final say.
7. *Advisory Board*. Board meetings are held regularly and board members are allowed to express their opinion on business issues. Consequently, it is the body that collectively decides on an issue.
8. *Overseer Board*. Present normally when the board has outside members, which is the case when part of the shares has been opened to the public.

With respect to the second dimension, it has been determined that responses of families to family and business issues are affected by their stage in the life cycle (Carlock & Ward, 2001; Gersick, Davis, Hampton & Lansberg, 1997; Lansberg, 1999). Given the nature of family business, there are several life cycle stages at play. Carlock and Ward (2001) presented five life cycle stages for a family business, two more were presented by Gersick, et. al. These are individual axis, family axis, ownership configuration, organization axis, and industry axis.

Drawing predominantly from the model of Carlock and Ward (2001), this research looked into the different stages in the life cycle on five axes. The slight variations to the model are discussed subsequently.

On the individual axis, Carlock and Ward (2001) presented six stages. These are early adulthood, settling down, mid-life transition, middle adulthood, late adulthood transition and late adulthood. Since the age of settling down can differ among individuals, and to correctly pinpoint the stage in the life cycle, the five-stage life cycle model of Cohn (1992) shall be used. In his model, the following were the life cycle stages with their corresponding age bracket: early adulthood (22-40), mid-life transition (41-45), middle adulthood (46-55), late adulthood transition (56-60) and late adulthood (over 60).

On the family axis, Carlock and Ward (2001) presented seven stages. These are married couple, family without children, family with children, launching young adults, family without children, grand parenting and retirement. The second, family without children stage refers to that point where all children are off to college or are married and the couple is left alone. This would be a little difficult to determine in Filipino families since it is not uncommon to have adult and married children living with their parents. Consequently, the fifth life cycle stage shall refer to family with married children.

On the ownership configuration, Carlock and Ward (2001) expanded Gersick et. al (1997) axis by three more. They were quick to state however that the stages are non-linear and some stages may be skipped altogether. Notwithstanding, use of the model entailed the description of the stages for it to be useful. Since there were no descriptions provided to the six life cycle stages, the following definitions were used: a firm is said to belong to the entrepreneurship ownership stage if the entrepreneur is the only member of the family who owns and manages the business; it is possible that the family member may be in partnership with another at this point. In an owner-managed business, the business is co-owned and managed by a couple or where a spouse helps manage the business.

The third stage refers to businesses whereby parents and their children work together. When the parents relinquish their owner stake, the business moves into a sibling partnership. Generally on its third generation, where children of children become co-owners of the business, the family is said to have reached the cousins' collaboration stage. The sixth stage refers to a family syndicate, whereby family members of different generations have ownership stakes in the business, regardless of voting rights. Finally to account for the possibility of non-family members having partial ownership of the business, a seventh stage termed "publicly listed" is introduced.

The fourth axis in the Carlock and Ward (2001) model is the organization axis. They used seven stages signifying the evolution of business from inception to its decline and possibly regeneration. For purposes of this study, the stages used refer to the scope of business. The different stages refer to whether the business is a single product business, multiple products, multiple businesses or a diversified business conglomerate.

Finally, the fifth axis refers to the industry life cycle. There were four stages used by Carlock and Ward (2001) but this study considered five stages as commonly used in strategic management books. These are the embryonic, growth, shakeout, maturity, and decline stages and there are particular traits for each stage in the life cycle. The embryonic stage refers to industry start ups where there are very few players who have just begun to introduce the product. The growth stage is characterized by the entry of new players in the market with possible price competition. The shakeout stage occurs when the number of players begins to decrease with larger companies acquiring smaller ones. The industry moves from being fragmented to one that is consolidated. The maturity stage can stretch for a long time and is characterized by non-price competition. Finally, the decline stage sees the product as having shrinking demand, where players have left, or are wanting to leave the industry.

The third dimension of internal crisis refers to changes in leadership, ownership, and even business structure. It may also refer to changes in family structure brought about by marriage, separation, birth or death. To determine the crisis, family businesses shall be asked to describe their major milestones and how these have affected their operations.

B. Turbulence

Over a 40-year period, the Philippines experienced many major pockets turbulence. Initially, the research intended to look at the responses of families to different turbulence points to determine if there were changes in response within a family depending on the turbulence. However, initial interviews revealed the difficulty of family members to recall specific responses to crisis over a long period. Consequently, the paper focused on the responses of family business to the 1997 AFC and to other events they found significant after that event. The period was long enough to establish business survival and not too long ago to cause family members to forget. Also, it was a crisis that had an impact over a wider range of industries and provided opportunity for richer analysis.

C. Adjustment Mechanisms

The responses to the turbulence were grouped into those that affected the business system, the family system, and the ownership system.

Appendix B

CASE IDENTIFICATION OF RESPONSES TO CRISIS BY EFFECT ON FAMILY BUSINESS

Adjustment/Outcome	Greatly Affected	Affected	Not Affected	Positively Affected
Both Family and Business	6, 10, 13, 14 17, 18, 20, 22, 24, 26, 27, 45, 50, 52, 53, 54, 56, 57, 65, 66	7, 61, 62		
Family Only	16, 21, 33, 51	19, 59		
Business Only	1, 3, 5, 11, 30, 39, 40, 42, 63, 67	12, 25, 46, 47		
No Adjustment		28, 29, 32, 36, 38, 41,43, 58, 64	2, 8, 9, 15, 34, 35, 37,48, 60	
Improved Family				4
Improved Business				23, 31,44, 49, 55