ACTA UNIVERSITATIS UPSALIENSIS
Uppsala Studies in Economic History, 105

Åsa Malmström Rognes

Family Matters

Essays on Families, Firms and Funding in the Philippines 1850–2014

UPPSALA
UNIVERSITET

Dissertation presented at Uppsala University to be publicly examined in Hörsal 2, Kyrkogårdsgatan 10, Uppsala, Friday, 20 May 2016 at 13:15 for the degree of Doctor of Philosophy. The examination will be conducted in Swedish. Faculty examiner: Professor Susanna Fellman (Göteborgs universitet).

Abstract

Malmström Rognes, Å. 2016. Family Matters. Essays on Families, Firms and Funding in the Philippines 1850–2014. *Uppsala Studies in Economic History* 105. 67 pp. Uppsala: Acta Universitatis Upsaliensis. ISBN 978-91-554-9538-1.

Family Matters – Essays of Families, Firms and Funding in the Philippines 1850–2014 is a study of family business groups in the Philippines. It consists of an introductory essay and four separate papers. The introductory essay frames the thesis in the vast literature on family firms and family business groups in emerging economies, discusses sources and methodology, and provides an overview of Philippine economic history to give the overarching economic context to the separate papers. The first paper deals with the role of institutions in understanding the dominance and prevalence of family business groups in the Philippines. The literature posits that weak institutions can help explain the predominance of family business groups in emerging economies. This paper takes a historical perspective to examine whether that explanation holds over time, examining the development of core property rights and core economic institutions over time and how family firms have responded. The second paper studies funding options in the late nineteenth and early twentieth centuries and whether the rapidly growing financial system was driven from above or below. The paper examines the impact it had on the explicit goal of stimulating investment and growth in the early twentieth century and what that meant for family firms. The third paper studies capital market developments since the Asian crisis and in particular the growth of the corporate bond market in the Philippines; how this development and how it affected family business groups. The fourth paper deals with governance and management capabilities and examines professionalization of family firms over time to seek to answer the question of longevity. Management literature provides studies and models for family firms but these are fairly recent whereas the family firms that have been in business for several generations have found ways to manage for the long term. The paper analyses what three select groups have done in terms of professionalization and management.

Keywords: family business groups, emerging economies, financial sector development, the Philippines

Åsa Malmström Rognes, Department of Economic History, Box 513, Uppsala University, SE-75120 Uppsala, Sweden.

ISSN 0346-6493
ISBN 978-91-554-9538-1
urn:nbn:se:uu:diva-282101 (http://urn.kb.se/resolve?urn=urn:nbn:se:uu:diva-282101)

Contents

Acknowledgements

Returning to academia to pursue a PhD after many years working in the private and public sectors in Sweden and Asia has been a fascinating experience.

I owe a debt of gratitude to several people. First of all, I would like to thank my supervisors, Professor Mats Larsson and Professor Marie Söderberg, for all comments, reflections, advice and patience in reading drafts and listening to my arguments.

Many thanks to Associate Professor Anders Ögren, Professor Christer Gunnarsson and Professor Lars Magnusson who have provided constructive comments and suggestions on the manuscript at different times.

Many thanks also to our Senior Administrative Officer Lynn Karlsson who has edited and formatted the manuscript and patiently answered numerous questions big and small over the years.

This thesis would not have been possible to write if I hadn't been able to do field work in Manila. I am very grateful to faculty and staff at the Asian Institute of Management in Manila for welcoming me as a visiting researcher. In particular I would like to thank President Steven J. de Krey, Professor and former Dean Ricardo A. Lim, and Professor and Director of Family Business Research Francisco L. Roman Jr who kindly assisted with introductions, challenged my ideas, provided sound advice and fully supported the research. Professor Patricia Lontoc has been instrumental in facilitating interviews and added new dimensions to my thinking on management.

Professor Angelo Unite at de La Salle University is both a good friend and a financial economist. We have had many fruitful discussions about financial market developments over far too many cups of coffee. Thank you!

I've spent many hours in libraries around Manila and am very grateful for the assistance of a number of dedicated librarians who have found rare manuscripts, bulletins, special reports, old print journals and carried numerous books from storage to the visitor's desk for me. Thanks to the staff at the AIM library, de La Salle University library, Filipina Heritage Library, the Lopez Library, and the Ortigas Foundation Library.

My visits to AIM were graciously funded by Tom Hedelius Foundation.

Thanks to my colleagues at the Department of Economic History, "none mentioned and none forgotten". I've also been teaching while working on the thesis and would like to thank Associate Professor Kristina Lilja and Professor Jan Ottosson for their support and advice to a novice teacher.

Thanks to Martin Söderhäll for preparing the map.

Writing a thesis is a lonely endeavour. My friends have been a never-ending source of encouragement and have also made sure to pull me away from the computer from time to time for dinners, trips and other distractions. Thank you!

This thesis is about family and my own family is my anchor. My parents encouraged me to pursue a PhD in mid-life, but sadly my beloved father is not here to share the results. My dear sisters keep me grounded and my husband has been a great sounding board throughout this process. My son brightens my days and makes sure to remind me to enjoy the moment. Thank you for always being there.

INTRODUCTORY ESSAY

Family Matters – Essays on Families, Firms and Funding in the Philippines 1850–2014

Introduction

Family business groups are ubiquitous in many emerging economies in Asia and this is also the case in the Philippines. The family business groups are large in terms of assets, diversified with businesses in several sectors and they are often market leaders. In the Philippines, family business groups among listed firms.[1] These are diversified groups, consisting of legally independent companies that are owned and controlled by a family. They often have a company in a core industry that they started in, or have built a significant presence in, and companies in related or non-related industries. The oldest and still among the largest, the Ayala group, was founded in 1834. Several other family business groups have been in operation for a century. This thesis will examine different aspects of family business groups that emanate from the literature discussed in the following and will do so based on different theoretical frameworks, which are presented in the section called "This Thesis".

This essay serves as an introduction to the papers included in this thesis which examines four different questions related to family business groups in the Philippines. It is organised as follows. It starts with a section on the literature on family firms, followed by a discussion of definitions of family firms and family business groups. Then there is a section called "This Thesis", which discusses the purpose, research questions, methodology and sources. Philippine economic history is then assessed in "From Galleons to Outsourcing – Two Centuries of Economic Development", followed by a brief overview of economic development in East Asia and the role of family firms. The section on East Asia illustrates the divergent paths in development among the countries, as well as some similarities regarding family firms. A presentation of each paper follows, and the essay ends with a discussion of conclusions reached.

Family Firms in the Literature

Family firms as a form of organization are old, and they have evolved from the small enterprise set up in the family home to produce goods or services to

[1] Of the 254 listed firms on the Philippine Stock Exchange, 60 per cent have a family as the majority shareholder,

large multinational firms. Numerous studies have charted the rise and fall of large family businesses and elaborated on the strengths of the family (trust) when expanding businesses and the difficulties with succession if no heir exists or if several heirs fail to cooperate.[2] There are plenty of studies of the founders of family business dynasties, examining their personal traits and ambitions and how they established their businesses.[3] These are by and large fascinating accounts of risk-averse persons with grand aspirations and how they built their businesses through family connections and networks. Other studies have focused on how the enterprises evolved, on production modes, on how the utilisation of new technology was exploited, distribution networks and organisational capabilities.[4]

In Chandler's study of American, British and German corporations, he noted that over time, as industries became larger, more complex and required more financing, there would not be enough capable and interested heirs to run the corporation.[5] Nor would the business be able to generate sufficient capital for expansion. The American experience in the late 19th century was thus that as businesses expanded and become more complex, the founders brought in outside managers and investors. The founding family may have kept shares, but relinquished everyday control as well as majority ownership of the firms. The managerial corporation ostensibly became the norm, as firms evolved into large, complex enterprises. As economies matured, the legal and regulatory framework evolved and financial markets developed, making dispersed ownership possible and indeed the norm for large, complex firms. Family, or personal, capitalism would seemingly give way to managerial capitalism. Landes was equally critical of family capitalism in his seminal article in 1949 on French entrepreneurs.[6] He argued that they were not innovative enough to remain competitive over time. A few decades later, he revised his position after surveying the literature on family firms for his broader study of dynasties.[7] He noted that certain French family firms were indeed innovative and exploit-

[2] Historical analyses include James (2006) and Landes (2006). Both summarise histories of family firms that are known worldwide and that contributed to industrial or business development through finance, introduction of new technology or management methods. Collì (2013) effectively summarises the issues in family business history research. Edited volumes such as Melin et al. (2014) and Poutziouris et al. (2006) give an overview of the issues, theoretical approaches and findings from different disciplines.

[3] Individual corporate histories of some of the most well-known large family firms that have had an impact on industrial and business developments include Wilson (1988) and Ferguson (1998) on the Rothschild family, Nevins & Hill (1954) and Lacey (1986) on Ford and Reingold (1999) on Toyota.

[4] See Chandler (1990) regarding organisational capabilities in American, British and German industry, Cassis (1999) for industries in Europe, Morikawa (2001) and Aoki & Dore (1994) for Japanese firms and Larsson et al. (2014) and Ullenhag (1993) regarding Swedish and Nordic firms.

[5] Chandler & Hikino (1994).

[6] Landes (1949).

[7] Landes (2006), pp. 275–278.

ed technological breakthroughs and that in the Alsace region, in particular, there are large long-lived family firms. Chandler also revised his position on family firms somewhat in later research.[8]

Conventional wisdom for many years thus held that family ownership of large, complex firms should diminish over time. Family firms would over time turn into widely-held managerial firms, family capitalism would give way to managerial capitalism. That has yet to happen. In their survey of 27 mature economies based on 1995 data, La Porta et al. noted that 36 per cent of the largest firms were widely held and 30 per cent family controlled on a 20 per cent ownership level.[9] If the sample is adjusted to a 10 per cent ownership level, the results change to 24 per cent widely held and 35 per cent family owned. This result indicated that family ownership is far more common in mature economies than commonly assumed. The actual share of family ownership of all firms in an economy is likely to be much higher since the study covers only listed firms. In the 1990s between 75 and 95 per cent of all registered companies in Italy, Sweden, Germany, Spain, the UK and the Netherlands were family firms.[10] However, most studies concentrate on listed firms since data are available and accessible for these firms, and this limitation has to be borne in mind when studying the results.

In East Asia, the concentration of ownership is even higher. Claessens et al. found that ownership was very concentrated in their 1999 study.[11] They examined ownership and control of 2,980 publicly-listed East Asian corporations and found that more than two-thirds of firms were controlled by a single shareholder, usually a family.[12] They also found that families controlled large firms even if the direct ownership was small, as cross-shareholdings and pyramid structures were used to enhance control. Moreover, managers were often related to the controlling shareholder's family. A striking finding was that older firms were family controlled, which is contrary to the notion that ownership should be dispersed over time and that as the institutional framework strengthens, more widely-held firms should emerge.

The Family and Business

What sets family firms apart from widely-held firms is of course that ownership and control are linked to kinship. Kinship ties influence all aspects of a business, and those kinship ties have been said to be either detrimental to the business or the opposite. The advantages are summed up by de Vries as being a long-term focus, commitment, continuity, flexibility and knowledge

[8] Chandler (1984).

[9] LaPorta & Lopez-de-Silanes (1999), p. 491.

[10] Collì (2003), p. 15.

[11] Claessens et al. (1999).

[12] The countries are Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand.

sharing.[13] The flip side is that kinship may lead to unwillingness to grow, nepotism, succession problems, financial strain and poorly organised and managed businesses. The literature, coming from business history, management studies, organisational studies and finance, includes studies that explore both the advantages and disadvantages. Those factors mirror the key issues that any business must deal with. Any firm faces challenges related to financing the business, organising and governing the business, managing growth strategies and handling entrepreneurship (or lack of it). However, but are more sensitive in family firms because of kinship.

In each of these areas – finance, governance and strategy – family firms have either an advantage or a disadvantage.[14] The family firm can benefit from a commitment to long-term results as opposed to quarterly returns, a smallish organisation with clear chains of command, an entrepreneurial drive, no agency problems in the governing structure and growth at a pace that the firm can manage. The family firm can similarly be hindered since financing options may be few if control is to be retained by the family, a centralised organisation can be too inflexible, entrepreneurship may lead to unrelated diversification that proves unsustainable or a lack of it leads to unsustainable business, in other words growth strategies may prove fatal, and governance may fail because kinship takes precedence. These dimensions – finance, governance, and strategy – overlap to some extent, but they nevertheless provide a useful theoretical framework to analyse family firms. Governance refers both to how the firm is organised and how it is governed. Strategy refers to strategic direction as well as entrepreneurship, since many family firms are founded by entrepreneurs and the entrepreneurial drive is often a central part of the strategy. In addition, family firms must manage succession, preferably without disruptions to the business.

Family Business Groups in Emerging Economies

The fact that family business groups are so common in emerging or developing economies has contributed to considerable research from economists and business scholars. Studies have examined why family firms are so common in emerging economies and typically relate that to the role of institutions.[15] An institutional void, or weak institutions, has been put forward as an explanation for the predominance of family business groups, often with reference to historical developments. In newly independent states, such as in Asia from the 1960s, where an institutional framework has yet to emerge or where institutions are unstable, businessmen are assumed to prefer to keep the business in the family. Others scholars have sought to bring clarity in the so called

13 de Vries (1993).

14 Collì (2013).

15 Leff (1978); Langlois (2007).

"paragon or parasites debate", that is, the question whether these groups contribute to development or hinder it through excessive market power and undue political influence.[16] Yet others have chosen to focus on financial performance of family firms compared to widely-held firms.[17]

Family business groups are large and should in theory, by virtue of their size and diversified businesses, contribute to growth and have an impact on development. The question regarding impact on development covers many aspects. One can assume that there are positive contributions to employment and thus incomes. These groups are also likely to introduce new technologies, new products and services. In order to operate efficiently, they need adequate infrastructure, and one can postulate whether they can influence governments to prioritise investments in physical infrastructure.

Likewise demand for different skills may lead to pressure on governments to increase spending on education. While business groups (by themselves or acting through industry organisations) may exert a positive influence, there may be negative influences as well. Areas such as competition policy and labour policy could be policy areas where influential groups will lobby for policies that benefit them, but will not benefit the economy at large. Other areas of influence could be financial and corporate regulations that influence capital market development, minority shareholder rights and the like.

Leff argues that it is clear that there are cases of close relations between the state and business groups. But while individual firms may be able to influence government decisions, group rivalries may weaken their power to influence government policy and development strategy.[18] His conclusion, based primarily on research in Latin America in the 1970s, is that the reality is complex.

In a study of business groups in India, which tend to be family-owned, Fisman and Khanna found that groups in the 1990s tended to locate plants in less developed parts of the country where non-group firms did not locate.[19] They suggest that this is because groups are large and can enforce property rights within the group when legal enforcement is lacking. The groups can overcome any legal impediments and contribute to development in underdeveloped regions and thereby have a positive influence on development.

In the literature it is suggested that the close connections are negative for private sector or business development. Fogel's finds that family control over large corporations is associated with worse social outcomes.[20] She has put together a database of family-controlled companies in 41 high- and middle-income countries and tested the correlation between ownership structure and a vast number of indicators that represent social and institutional development.

[16] Khanna & Yafeh (2007).

[17] See for example Miller et al. (2007); Anderson & Reeb (2003); Chung & Chan (2012); Maury (2006) and Martinez et al. (2007).

[18] Leff (1979).

[19] Fisman & Khanna (2004).

[20] Fogel (2006).

Her sample includes Thailand, Malaysia, the Philippines, Indonesia, Hong Kong, Singapore, South Korea and Taiwan in Asia. In addition to the correlation between family control and worse social outcomes, she also finds a correlation with more bureaucratic and interventionist governments and less developed financial markets. The study is built on panel data from the 1990s and does not capture developments over time. It is nevertheless an interesting starting point for in-depth country studies to try to discern causality.

In Indonesia, family business groups controlled 70 per cent of the listed firms in 1997 when the Asian crisis started. Indonesia had by then been ruled by President Suharto for 30 years, and numerous studies have documented the close connections between the Suharto family and leading businessmen, suggesting that personal ties to the regime were instrumental for the growth of these business groups.[21] However, as Brown notes, during Suharto's reign real GDP growth was high and development indicators improved, revealing the paradox of a country with a high level of corruption, but high growth rates, reduced poverty and decent development in certain aspects.[22]

Khanna and Yafeh summarised that research seems to show that the impact on development of family business groups is ambiguous, but tilts towards being welfare reducing.[23] A number of questions arise as to what specifically to study to assess impact and how to measure it. The authors refer to case studies that indicate resistance by groups to reforms regarding minority shareholder rights, pressure on governments to restrict entry and competition, and other rent-seeking activities. They make clear that the results are ambiguous and that more research needs to be done to understand the role of family business groups in development. Business history studies often point to the impact family business had on development and in introducing new technology, new goods and services, but the development literature is divided on the role of large family firms. The literature on family business groups in late industrialising countries tends to focus on the last four decades of the twentieth century or, in the case of panel data studies, on the 1990s. These studies raise a number of interesting questions and point to the need for in-depth studies that take a longer perspective and put developments into context.

The Family Firm and the Family Business Group Defined

Before exploring the reasons for studying family business groups in the Philippines and what this thesis is about, a note on definitions is needed. Definitions of family firms vary and in the literature there is no consensus on one definition. Collí and Rose give a broad definition of a family firm as "one where a family owns enough of the equity to be able to exert control over strategy and

[21] See for example Dieleman (2007); Dieleman & Sachs (2007); Moss-Kanter (1996) and Sato (1993).

[22] Brown (1995), pp. 45–60.

[23] Khanna &Yafeh (2007).

is involved in top management positions".[24] To that general definition Morikawa has added that, in his view, a firm is a not a family firm until ownership has passed to another generation.[25] Casson says that one should distinguish between family ownership and family control and that a firm should be regarded as family owned when family members own sufficient shares or have a sufficient number of board members to appoint a general manager.[26] The ability to exert control is usually linked to ownership. In a privately-held family firm, ownership and control are not separated. If the firm is a stock corporation and there are external investors who have a small share, the control still rests with the family. In a publicly-listed corporation, the degree of influence will depend on the share of ownership and local laws. In many jurisdictions there are two types of shares in a stock corporation, common stock and preferred stock.[27] The latter have no voting rights attached to them. In the Philippines, common stock can have differentiated voting rights as specified in the articles of incorporation and preferred stock have no voting rights attached.[28]

The threshold for ownership in publicly-listed firms that allow the family to exercise control will vary depending on the type shares allowed by local law and the distribution of voting rights. Local rules on voting rights that are linked to shares mean that the controlling level of ownership will be different in different jurisdictions. In Thailand 25 per cent is needed, while 10 per cent is sufficient in the United States and only 5 per cent is needed in Italy.[29] Careful study of individual corporations and their shareholders is needed to determine how control is gained, whether it is through direct shareholding, through pyramid structures or through other firms. The thresholds for control must therefore be treated with some caution. Common thresholds used in several studies are 10 per cent and 20 per cent.[30]

There is a similar problem of boundaries when it comes to defining family business groups. The definition of business groups range from definitions of loosely connected networks of firms to tightly-held groups. The definition of family business groups used in this thesis is that a family business group consists of legally independent firms that are under common ownership and control by a family.[31] Again the threshold for ownership that would determine a controlling interest does vary depending on whether the firm is privately held or publicly listed.

[24] Colli & Rose (2007), p. 194.

[25] Morikawa (2001), p. 15.

[26] Casson (1999).

[27] Barrons Dictionary for Financial Terms

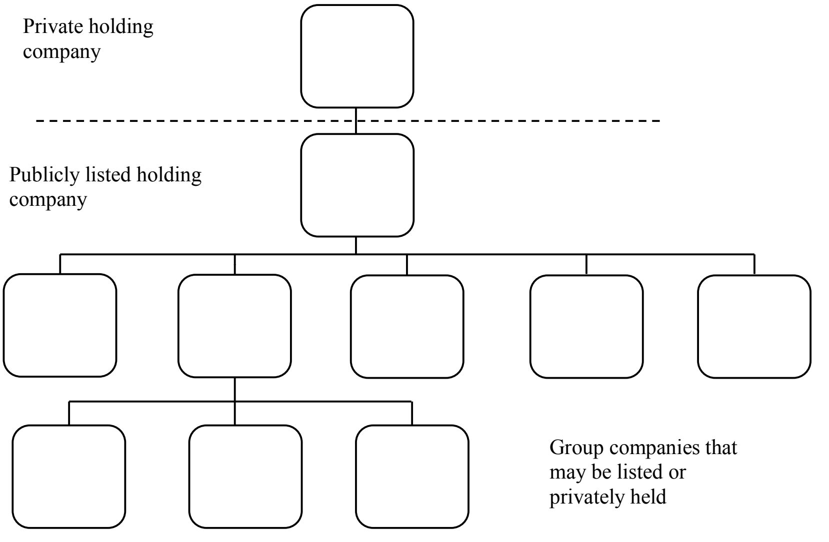
[28] Section 6, Title 1, Corporation Code of the Philippines, Act 1459.

[29] Khanthavit et al. (2003); Colli (2013), p 19.

[30] See for example Claessen et al. (1999); Faccio & Lang (2002); LaPorta & Lopez-de-Silanes (1999) and Masulis et al. (2011).

[31] Based on Cuervo-Cazurra (2006). This is also Morikawa's definition of Japanese prewar *zaibatsu*. Morikawa (1992), p. xvii.

Figure 1. Stylised Family Business Group in the Philippines in the 2000s



The family business groups in the Philippines that are studied in this thesis are of the hierarchical type with a pyramidal structure.[32] They typically consist of a publicly-listed holding company that is majority owned by the founding family. The older family firms have set up a private holding company that holds the absolute majority of the shares in the publicly-listed holding company. The public holding company in turn owns shares in the various companies that make up the business group. Some group companies are listed, while others are privately held by the holding company. The stakes in other listed companies are typically 30 to 40 per cent. New ventures are often kept private. A stylised picture is found in figure 1. Not all of the younger family firms, that is those founded after the war, that are included in the thesis have set up private holding companies to manage their public holdings company. Lists of shareholders indicate that the stake is large enough to prevent any hostile takeover.[33] The groups tend to be diversified across several sectors, but they usually include a core company in one sector and a financial services firm. This pyramid structure of course allows for control with minority stakes in the group companies since the public holding company is majority owned.

[32] See Colpan & Hikino (2010) for a discussion of different types of business groups.

[33] Philippine listed firms are obliged to publish lists over the 100 largest shareholders every quarter.

This Thesis

The purpose of this thesis is to examine some conventional views of family business groups in emerging economies through the Philippine case. An overarching question is to understand why family business groups are so common in the Philippines and have been so common for a century, why this type of company remains the most preferred one. The specific research questions will examine questions regarding the role of institutions, funding and governance in family business groups in the Philippines that emanate from theories and literature. The thesis consists of four papers with four distinct questions and each challenges theories to test their validity in the Philippine case. Each paper is presented in detail in the last sections of this essay. The following is a brief introduction to the different research questions as well as to the methodology, theories and sources

In the Philippines, as noted in the introduction, family business groups dominate on the Philippine Stock Exchange. They are large, diversified groups that are ultimately owned and controlled by the founding family. The groups typically have a significant position in a core industry and then own minority or majority stakes in several firms. Several family business groups own a bank and some also non-bank financial institutions. The fact that these family business groups are partially public adds another dimension to the questions of financing, governance, and strategies. As listed firms they are obliged to adhere to the rules regarding disclosure, transparency and governance requirements. The notion of secretive family firms no longer holds as a general view. Large, listed family business groups that potentially can combine the advantages of family ownership with the advantages that a listing brings in terms of access to capital as well as a seal of approval make for a type of business that does not sit well with the standard theories or models. Furthermore, several of the family business groups have been in business for a century or more. They have prospered through a revolution, wars, independence, and martial law, as well as with economic policies ranging from a focus on agricultural exports to import substitution to more of an export-promotion policy. Their long histories raise questions on how they have managed to be prosperous for such a long time.

Two of the papers cover the period from 1850 to 2012 and are thus longitudinal in nature in order to examine the long-term developments regarding institutions and family firms, and governance in family firms respectively. These two papers aim to change the focus from the present short term to capture longer-term developments, moving beyond the more stylised expectation to a more in-depth view. Another paper studies funding options and covers the period from 1870–1930 with an emphasis on the first two decades of the twentieth century. This is the time when the Philippine economy began to industrialise and growth began to take off. This transformative period represents a regime change and is therefore worth examining. Another deals with capital market developments starting with the Asian crisis in 1997/1998. The paper captures another regime change.

The Theoretical Framework and Research Questions

Family business research is a comparatively novel field, with dedicated research taking off in the 1980s primarily in management studies in a broad sense, capturing questions of succession, governance and corporate governance. There is a vast management literature dealing with governance and succession, and numerous studies have led to models for managing family firms. In the field of corporate finance, many studies have examined the financing options and financial performance of family firms to capture any differences that emanate from concentrated ownership as opposed to widely-held ownership. Corporate governance studies have focused on matters of agency. Sociologists have examined family values and how these affect a firm and vice versa. Business historians have moved beyond the corporate biographies to examine broader questions about family businesses that tie in with the management literature. Family business research consequently cuts across several disciplines.

In this thesis theories from different disciplines will be used and applied to answer the specific research question that is raised in each paper. There is no one theory for family firms that can be applied to answer the questions raised, since there is no single theory of the firm that can be applied to answer the different questions. The theoretical framework in this thesis is thus eclectic with a different theoretical approach in each paper.

Four different research questions are posed in the thesis. The first question concerns the role of institutions in explaining the predominance of family ownership of corporations in an economy and how institutions influence businesses over time. Business historians have traced the evolution of family firms and found that, as firms grow and become more complex, they tend to bring in external managers and investors and over time ownership and control will be separated. This development takes place as the institutional framework evolves, creating stable and predictable rules of the game. Secure property rights are the core institution that underpin the evolution of financial services for example and facilitate contracting between parties with asymmetric information. Weak institutions in newly industrialising countries are often cited as the main reason for firms remaining family owned and controlled.[34] The dominating view in the literature is that if institutions are not stable and predictable, business owners will retain ownership and control in the family. In the Philippines, the formal institutions were formed in the early twentieth century and so were some of the leading family business groups. How have the institutions

[34] Colpan & Hikino (2010); Khanna & Yafeh (2007); Baer (1971); Leff (1979) and Collì (2003).

influenced family business, and can institutions explain the predominance of family business groups?

The second research question concerns the development of financial resources in the early stages of industrialisation when an economy moves from being an exporter of agricultural produce to nascent industrialisation. How does a financial system develop and what drives the change? The paper examines whether the development in the Philippines was driven by growth from above, induced by the government, or from below, driven by the firms.

The third paper concerns family business groups and capital markets in the wake of the Asian financial crisis. At the time of the crisis, the Philippines and other Southeast Asian countries had bank-based financial systems. With implicitly fixed exchange rates, currency and maturity mismatches were built up in the system and when currencies devalued, the crisis was a reality. The remedy was development of capital markets to create what Alan Greenspan called a "spare tire" in the financial system.[35] Family business groups dominated among listed firms (measured as market capitalisation). This concentration of ownership was assumed to be partly related to underdeveloped capital markets. How successful were the reforms in developing capital markets, and how did the reforms affect family business groups?

The fourth paper revolves around questions of governance and longevity. The classic view of family firms is that they cannot last beyond three generations, primarily because it will be difficult to find heirs who are willing and able to continue to manage the business and keep any family feuds at bay.[36] The paper examines three publicly listed family business groups in the Philippines that have been in business for more than a century and passed the "three generation test". They are still prosperous and among the top in each industry they are active in. Based on governance theories, the paper examines how these have been governed and aim to explain why these have been successful.

This thesis is limited to the study of these four questions, starting from theoretical perspectives drawn from the literature. Since it is longitudinal in nature, it will not go into the minutiae of tax and accounting rules that influence financing strategies at different times. Instead the focus is on examining the macro-level developments in the legal framework and economic policies that can have an impact on business development and corporate forms. This thesis will not examine Philippine economic or political development in detail. General macroeconomic developments will be discussed with reference to a range of sources and provide the context for the subsequent analysis. Political developments will likewise be discussed to the extent that they are relevant for the development of institutions and economic policy that affect the businesses.

[35] Greenspan (1999).

[36] This is discussed with reference to Asian family firms by Roman (2009).

A question that inevitably arises in the context of newly industrialising economies is that of political connections, the necessity of being close to politicians to secure favours, such as mining concessions or monopoly licenses that can form the base for corporate profits and personal wealth. It is generally acknowledged that President Marcos favoured a select group of businessmen with licenses and the like. This will be reviewed and discussed with reference to published sources. Beyond that this thesis will not examine those issues as they are difficult to examine in a scientific manner.

Methodology and Sources

The four papers revolve around family business groups and deal with different questions that arise from the literature and that can be studied utilising a theory-driven approach. In each paper a theoretical framework is discussed and used as the starting point for an analytical narrative in the paper. The choice of analytical narratives is to be able to gauge change and continuity over longer periods of time by analysing developments based on statistical data, as well as economic policy, to frame the corporate developments. In an essay, Rodrik asks what we can learn from country narratives, and the answer is a great deal, since the analytical narratives go into the specifics in each country and provide context and depth to results from panel data tests for example.[37] This thesis is not an archival study with the aim of preparing corporate monographs or writing a comprehensive economic or business history of the Philippines. The aim is to answer specific questions, which can be done using a range of primary and secondary sources that are available.

A range of sources are used in the thesis, and they have been chosen in order to have complementary and independent sources to allow for corroboration of data and the validation of analyses undertaken by scholars. It is a type of triangulation of independent sources to try to make sure that the analysis is balanced. The sources have been chosen with a view of ensuring this balance. Most of the sources are found in libraries and at government offices in the Philippines; some are available electronically as noted below. The author has spent a total of five months over a two-year period in Manila as a visiting scholar at the Asian Institute of Management, with the Asian Family Corporation Research Unit, and has sourced material while in the Philippines.[38]

Statistical Sources

Quantitative data underlie much of the analysis even though it is not a quantitative study in the sense that there are no econometric analyses. Statistical material has been used to understand the long-term economic developments,

[37] Rodrik (2003).

[38] Libraries and archives in the United States also hold collections of some of the sources used, but it has not been possible to visit the United States for research.

growth patterns and sectoral developments, as well as the move from an economy based on agriculture towards a more industrialised country over time. The overall macroeconomic developments help explain the development and growth of specific industries and consequently business developments. The statistical sources for economic data for the nineteenth century and first half of the twentieth century are from official Filipino, Spanish and American sources. These are considered reliable sources, since this data has been collected by government agencies with a mandate to prepare statistics for policy purposes. In addition, statistics for the financial sector are used extensively in two of the papers, again to provide context for the analysis, the transformation of the sector and how that affects family business groups.

Mainly trade data has been used for the nineteenth century. Other statistical data from this period is patchy since – as the Americans found – census records were not complete. Some had been lost and were in such poor state of decay that they were beyond repair.[39] There is, however, one comprehensive official economic survey carried out by a Spanish official in the 1830s. This account is the most detailed and comprehensive official economic account from that time.[40]

In the early twentieth century, the American authorities governing the Philippines collected data on an annual basis for some sectors and conducted thorough censuses a few times, surveying the entire economy. These data series are found in reports by the Philippine Commission 1899–1900, the Philippine Census and the Annual Report of the Governor-General of the Philippines 1918–1935. These are available in libraries in the Philippines, such as the Filipina Heritage Library and de la Salle University library in Manila. There is thus plenty of statistics collected for the purposes of governing the country and preparing policy reforms. Economic activity in distant provinces may be underestimated. However, that is considered a minor problem since the major agricultural areas are well covered. In many cases, it is not the exact numbers that are relevant to understand developments, but rather the trend that emerges from trade data, for example the increases in the trade of certain goods or the direction of trade.

For the post-war period, there is systematic economic data collected and published by the Philippine statistical agencies, and the macroeconomic data cited is mainly taken from these official sources unless otherwise noted. The Philippine Statistics Authority and the National Statistical Coordination Board have as their mandate to collect primary data for the economy, and these agencies have published comprehensive data for the post-war period.[41] The central bank, Bangko Sentral ng Pilipinas, collects and publishes data on the financial system. Some statistics are available electronically, while other publications

[39] Report of the Philippine Commission 1899 (1900), p. 5.

[40] De Mas (1842).

[41] Material from the Philippine Statistic Authority is accessible via www.psa.gov.ph and the National Statistical Coordination Board via www.nscb.gov.ph.

are only available in hard copy.[42] Private entities such as the stock and debt exchanges also publish data that are used in the thesis. The most recent data is available electronically, while older is in hard copy.[43] For more recent and comparative data for Southeast Asia economies, data from international organisations such as the Asian Development Bank, the World Bank, and the International Monetary Fund are used.[44] This material is of interest because the data has been compiled in a coherent manner and can thus be used for comparative purposes.

Corporate Material

The primary corporate material from the family business groups that is studied includes annual reports, other reports, booklets, presentations and speeches. These contain data as well as presentations of the corporations and their activities in their own words. Information regarding corporate strategies, developments and financial conditions are taken from these sources, in other words factual data for the analysis. Corporate presentations, booklets and speeches have to be put into context as to the purpose of presentations and target audience (if that can be assessed). Speeches are studied and sometimes cited in the text because they shed light on what the speaker (usually in a position as chief executive) wants to convey, and that is important when examining corporate governance, the view on merits in the company for example. The views expressed can then be compared with actions as evidenced by outcome to see whether they correspond, and if not, how that can be explained

Official documents

Government or official documents include laws and regulations and other government documents. Since the legal and regulatory framework is important to understand the formal institutions that set the rules for the economy, the laws that are understood to have had the most impact are studied and referred to throughout the thesis. Philippine laws have been published in the Official Gazette in hard copy since 1902. There is also an electronic version where the most recent laws and other government actions are published.[45] American laws have had an impact on the Philippine economy for much of the twentieth century. These have been sourced from a variety of places, hard copies in libraries as well as electronically.[46]

[42] The Bango Sentral website is www.bsp.gov.ph.

[43] The respective websites of the Philippine Stock Exchange and the Philippine debt exchange are www.pse.com.ph and www.pds.com.ph.

[44] Their respective websites are www.adb.org; www.wordlbank.org and www.imf.org.

[45] The electronic official gazette is on www.phiippines.gov.ph. The law firm Chan Robles also publishes laws and some court cases electronically at www.chanrobles.com.

[46] American federal laws can be found in many places for example the the electronic legal library of Cornell University Law School https://www.law.cornell.edu/federal.

Government documents that have been used extensively are the reports published by the American authorities in Manila from 1900–1940.[47] These are rich in detail regarding the economy, the geography, and the political and social situation in the country. They also contain correspondence from officials in Manila, which adds personal reflections to the wealth of data, and very factual sectoral reports from the various bureaus. The aim of these reports was initially to inform the Secretary of War and the US Congress of this new possession and its economic prospects. Later reports contained policy recommendations in each area that was surveyed, thus relaying the priorities of the American government representatives posted to Manila in their efforts to promote development. These reports provide statistics and are useful to understand the priorities of the Americans as well as the outcome of policies pursued.

Economic History Sources

The secondary sources include corporate histories, analyses by international organisations and several academic works on the Philippine economic, political and social history. These are used to excerpt and ascertain factual developments that are corroborated using several independent sources. Some of the data reported in secondary sources have been verified. Some data cannot be verified independently, since in early academic studies of the Philippine economy the studies are the only sources.[48] In other cases data cannot be verified as it is only available in private archives. In these cases attempts have been made to verify it through other sources.

There are plenty of secondary sources that have contributed to a general understanding of the Philippine economy, history, politics and developments over nearly two centuries, as well as to the understanding of corporate and banking developments. The economic history of the Philippines in the nineteenth century is documented by visitors and scholars. One thorough eyewitness account written by a visitor in the nineteenth century includes personal views and is subjective, but it also contains valuable details of the geography, the society, the economy and how the Spanish authorities governed the islands.[49] Foreign merchants who resided on the islands at different times documented their stays with details concerning trade, tariffs, local produce and manufacturing, as well as the modes of doing business.[50]

[47] Report by the Philippine Commission, various years 1899–1917 and Annual Report of the Governor-General of the Philippines 1917–1930 sourced from Filipina Heritage Library and de la Salle University Library.

[48] For example Schurman (1899); Willis (1917); Ide (1907) and Kemmerer (1905).

[49] The Governor-General in Hong Kong, John Bowring, visited and published his account in Bowring (1859).

[50] Wise (1926) chronicles developments in the 1820s and 1830s, while MacMicking (1851) captures the 1840s.

The most thorough academic study of Philippine nineteenth century economic history to date is written by Benito Legarda Jr. His 1955 doctoral thesis at Harvard, later reworked and published in 1999, is the most comprehensive economic history of the nineteenth century published so far.[51] In-depth academic studies of different regions and how they were affected by export crops have also been examined in some detail, especially regarding the main export crops sugar and abaca.[52] These provide background to the overall economic developments in the late nineteenth and early twentieth century, which are discussed in detail in the section on Philippine economic history. The changes brought about by the American period and the impact they had on the economy are well documented in American official sources, as well as by American scholars.[53] For the post-war years, there are also some detailed academic studies on Philippine industrialisation and Philippine economic development in the decades after the war that use data that can be verified.[54]

Corporate Histories

The literature on Philippine family business groups ranges from corporate histories to management studies. Corporate histories have been written about some of the older family business groups that were founded in the nineteenth century.[55] These are written by Filipino scholars, mainly historians and business scholars, and while this literature is written for a general audience and is not concerned with theories or models, it is a rich source of insights into business developments over time, strategies and management thinking. They provide portraits of the individuals who founded the groups and their heirs. These corporate histories provide the factual base for understanding corporate developments. They have been complemented by other material, such as annual reports, official statistics and other studies, to get a broader understanding of events.

Monographies about the large family business groups that were founded during the post-war years focus more on the entrepreneurs behind them, their individual stories and lessons for fellow entrepreneurs.[56] These are also written by scholars. Recent research on family firms in the Philippines focuses in particular on corporate governance and succession matters.[57] The latter two

[51] Legarda (1999).

[52] McCoy and de Jesus (1982) contain studies of different regions and how they were transformed, while Larkin (1993) studies the sugar industry.

[53] Reports by the Philippine Commission are the main governmental sources, and academic studies include Friend (1962); Golay (1961); Hooley (2005); Stanley (1974).

[54] Yoshihara (1985); Yoshihara (1988); Riviera (1994); Salgado (1985); Corpuz (1997); Balisacan & Hill. (2003); Bello et al. (2004); Golay (1961).

[55] See for example Lachica (1984); Alvarez (1973); Rodrigo (2000); Lim (1996); Mojares (1998).

[56] Echauz (1997); Khanser (2007).

[57] See for example Gavino et al. (2001); Quintos-Gonzales et al. (2009).

are topics that are very relevant as many firms go public and face numerous formal demands on governance, which may or may not sit well with the governance structure that has worked well for a private company. These studies have been undertaken by scholars at the Asian Institute of Management, and the author has had the opportunity to discuss the findings and implications with AIM faculty.

The statistics and written sources have formed the basis for the analysis, which is theory driven. Each paper starts with a theoretical framework that then underpins the analysis that follows. In order to get an understanding of governance matters for "Paper IV: Governing for the Long Term", semi-structured interviews with company representatives were conducted to provide an additional source and learn from the companies how they assess their longevity. The interviews followed the same format and covered topics relating to the longevity of family firms, the governance structures, the role of family members in the firms, succession and the implications of being publicly-listed family firms.

The reliance on much previously published material means that this thesis is at times a reinterpretation of data to test or apply theories. However and nevertheless, the available sources are deemed to be adequate and sufficient to answer the research questions.

Contribution

Even though the literature captures histories, strategy and management, there is a gap in the longitudinal studies of family business groups from different theoretical perspectives offered in the literature on family firms, in particular family business groups in emerging economies. This doctoral thesis contributes to closing that gap by, as is discussed below, posing four distinct questions related to family business groups based on theories and previous research on family firms and late industrialising countries. By taking a historical perspective, the aim is to go beyond the literature that focuses solely on the last few decades of the twentieth century and try to discern long-term trends that have evolved.

From Galleon Trade to Outsourcing – Two Centuries of Economic Development in the Philippines

The economic history of the Philippines can be examined in five distinct periods. The Spanish era from 1571 to 1898, when agriculture became commoditised during the last fifty years; the American and Commonwealth period from 1898–1946 with a continued focus on primary exports with some industrialisation; the post-war years until martial law in 1971, which were characterised by import substitution and promotion of domestic industry; the martial law years and final years of the reign of President Marcos from 1972–1986, when a mix of economic policies was pursued, but led to a severe crisis; and the period starting with the 1986 People Power revolution with a liberalisation of economic policies and more integration in the regional and world economy.[58]

The Philippines of 2015 is a middle-income country with approximately 96 million inhabitants spread over some 7,000 islands. The main island of Luzon is home to 42 million, of which some 12 million reside in Metro Manila.[59] The second largest city of Cebu has a population of just about 1 million. Economic activity is heavily concentrated to the largest islands. The private sector accounts for more than half of GDP. Services accounted for 57 per cent of output in 2012, while industry and agriculture account for 31 and 12 per cent respectively. In terms of employment the numbers change. About a third of the labour force is employed in agriculture, 10 per cent in industry and the remainder in services and other.

The results of the 2008 survey of businesses show that the Philippines resemble many countries as micro and small enterprises make up the majority of business establishments (99 per cent).[60] In terms of employment, micro enterprises account for 38 per cent, small-and medium sized enterprises for 32 per cent and the large enterprises for 30 per cent. There are also government-owned and -controlled corporations, mainly in utilities and in financial services, where the government owns one bank and is a shareholder in two others. Social security funds are incorporated in the Philippines which adds to the number of government-owned and -controlled corporations in the country.

Politically the Philippines is a republic modelled on the United States where executive power rests with the President. The term is limited to a single six-year term. Congress holds legislative power through a bicameral system with a Senate and a House of Representatives. The judiciary is independent and is similar to the American judiciary with a Supreme Court that is also a constitutional court.

[58] The Philippine Revolution lasted from 1896–1902, but as the Treaty of Paris signed in October 1898 ceded the Philippines to the United States, the American period is therefore listed from 1898. The regime changes brought about by the Americans started to take effect in 1902 when a number of new laws had been implemented and a new bureaucracy started to become effective. Politically the period 1935–1946 is referred to as the Commonwealth period when the Philippines had its own constitution, elected president and national legislative authority except in foreign and security policy. However, for an economic history the whole American period is characterised by the integration of the Philippine economy with the US economy.

[59] Philippine Census 2010, published by the Philippine Statistical Authority.

[60] National Statistical Coordination Board (2008) Business survey. Micro enterprises are defined as having fewer than 10 employees, small enterprises have 10–99, medium-sized enterprises have 100–199 employees and large have more than 200 employees.

The Spanish Era

The Philippines of 1521, when the Spanish arrived, was characterised by communities living from hunting, fishing and the cultivation of land, as well as trading. Chinese traders are estimated to have been coming and going since 1000 AD, and they settled a few centuries later.[61] Traders from others parts of southern Asia brought Islam to the islands in the 14th century. The Spanish came in part to search for a western route to the Spice Islands, but instead came across an archipelago that was little known to Europeans. The Spanish established a settlement in Cebu in the central Visayas region in 1565 and then in Manila on the main island of Luzon in 1571. (See map in appendix 1.) When it turned out that spices and gold were not easily exploited, the Spanish crown seemingly lost their commercial interest in the islands and turned their focus on spreading Christianity. Trade was subordinated to conversion.[62]

Trade continued, however, and the Chinese settlers who lived primarily in coastal communities grew to dominate inter-island trade, a role they held until the American period began in the twentieth 20th century. They brought produce from the provinces to Manila and sold it there and brought imported goods back to the provinces. They also imported goods from mainland China. The Chinese traders were so successful that one observer remarked that the islands could rather be "a colony of Chinese empire than part of the Spanish monarchy".[63] Their success caused resentment, and from time to time massacres took place in the seventeenth and eighteenth centuries.[64] In the early nineteenth century, the Spanish authorities actually banned Chinese in the provinces from engaging in trade, but the ban was repealed in the 1830s. From the middle of the 19th century Chinese immigration was instead encouraged, and the Chinese community grew substantially as did the Chinese mestizo community.[65]

Manila Bay with its natural port emerged as a transhipment centre for the so-called Galleon Trade between 1565 and 1815. Galleons loaded with silk, cotton, porcelain, ivory, food, spices, furniture and metalwork sailed for Acapulco and returned primarily loaded with Mexican silver. An estimated 10 per cent of the exports on the galleons originated from the Philippines.[66] The bulk of exported goods originated in China and British India. There was thus little development of the country's own resources during this time. By the time the galleon trade ended, Spain was a diminished power. The peace at the end of

[61] Benitez (1942), pp. 35–40; Francia (2010), pp. 21–48.

[62] Benitez (1942), p. 103.

[63] Salgado (1985), p. 13.

[64] Ibid., pp. 13–14; Lala (1899), pp. 101–106.

[65] Chinese mestizos refer to persons with Chinese and Filipino ancestry. This group is often referred to as a separate group during the nineteenth century. The mestizos who converted to Catholicism were treated by the Spanish authorities as locals when it came to levels of tribute to be paid for example.

[66] Legarda (1999), p. 33. Schurz (1939) offers a detailed account of the galleon trade.

the Napoleonic wars stipulated that ports in all colonies should be opened to ships of all nations and that Europeans would be allowed to settle. Manila was actually declared a free and open port permanently already in 1805.

The opening of Manila port attracted foreign merchants. The British merchants began to establish themselves in the 1810s. American merchant houses soon followed. Among the merchant trading houses described in various accounts of the nineteenth century trade in the Philippines, only one Spanish house is noted.[67] The main actors were British and American. It is noticeable how the Spanish crown effectively limited its involvement in the Philippines to administration and devoted few resources to economic development.[68] Filipino historian Lala noted in 1899 that:

> more money was set aside for the transportation of priests than for building railroads while ten times the sum was devoted to the support of the Manila Cathedral than for improvements in public transportation.[69]

A British visitor in 1848 commented that:

> the government of Spain has ever since acquisition shown itself ignorant or neglectful of these islands, the commerce of which has long been subjected to regulations and restrictions as injurious in their tendency as can well be imagined.[70]

In a regional comparison, the British and the Dutch were far more active in exploiting and developing local resources in their respective colonies.[71] While the Spanish government showed little interest in economic development in the Philippines, they did set tariffs and rules regarding trading which favoured Spanish vessels. Cotton and clothing faced duties of 40 and 50 per cent respectively in 1836 and wine and spirits 30 or 60 per cent.[72] A local spirits industry emerged. With sugar a major crop, it is hardly surprising that distilleries soon emerged to produce rum for the domestic market. Nipa sap (from a type of palm tree) was used in the distilling process before molasses was widely used. The local firms that developed were mainly family firms. One group of firms was formed by landowners who owned larger tracts of land and produced export crops. Another group consisted of the family firms that engaged in production for the local market as well as providing services. A third distinct group were the domestic merchants, or middlemen, who sourced produce in the provinces where the foreign merchants did not go and also acted as wholesalers and retailers of imported goods.

---

[67] Wise (1926), pp. 105–110; MacMicking (1852), pp. 118–122.

[68] Bowring (1859), pp. 292–293; Stanley (1974), pp. 2–23.

[69] Lala (1899), p. 198.

[70] MacMicking (1852), p. 7.

[71] Crouch (1985).

[72] Wise (1926), pp. 65–66.

Table 1. *Exports by Commodities 1847–1920 (% of total)*

Year	Sugar	Abaca	Tobacco	Coffee
1847	37	13	18	3
1860	41	22	12	2
1870	31	33	23	3
1880	49	23	11	8
1890	34	35	11	7
1900	10	58	10	0
1910	18	41	11	0
1920	33	24	31	0
1930	39	12	6	0

Source: Legarda 1847–1890, Reports of the Philippine Commission 1900–1930

The opening to freer trade contributed to and went hand in hand with an increase in agricultural production. During the nineteenth century international demand for sugar increased significantly, as did demand for abaca used in naval cordage and as binder twine.[73] Cultivation of these two products greatly increased during the nineteenth century. Table 1 shows that sugar and abaca were the dominant exports throughout the nineteenth h century accounting for about two-thirds of total exports, and they were integral to corporate development. The share of tobacco was substantial as well.

Some refinement took place as more modern sugar mills were introduced starting on the island of Panay, in the Iloilo region. Iloilo was opened to international trade in 1855. Britain posted a vice consul there whose mandate included trade promotion. He introduced British textiles and managed to increase sales significantly. He also noted the prospects for agriculture in this region, in particular the cultivation of sugar. The existing mills were old-fashioned. The vice consul imported the first steam-operated mill and is credited with starting an improvement of milling capacity and also for organising direct shipments of sugar to Australia and Britain. Sugar cultivation and milling grew on Panay and later on also on the neighbouring island of Negros.

Philippine exports were directed to nearby China, but in particular to Great Britain and the United States, as shown in table 2. A rather small share went to Spain, illustrating the small role that Spain played for the Philippine economy. The nineteenth century is characterised as a time when agriculture became commoditised in the Philippines. The key exports were agricultural produce, and little refinement of export crops took place. Trade was both regional and global, with the bulk of sugar, tobacco and abaca exports going to the United States, Europe and British India.[74]

[73] Owen (1981), p. 191.

[74] Legarda (1999), pp. 133–135.

Table 2. *Direction of Exports to Major Trading Partners (% of total)*

Year	Great Britain	China	British East Indies	United States	Spain
1855	20	20	3	30	12
1860	25	22	5	31	4
1867	31	17	3	30	11
1880	26	0	22	44	5
1890	28	35	5	15	11
1900	35	18	4	13	7
1910	17	5	3	42	5
1920	8	6	1	70	4
1930	4	2	1	79	4

Source: Legarda 1847–1890. Nagano 1900–1930. Note that in 1880 exports to Hong Kong were counted as exports to the British East Indies, but in other years they were counted as exports to China.

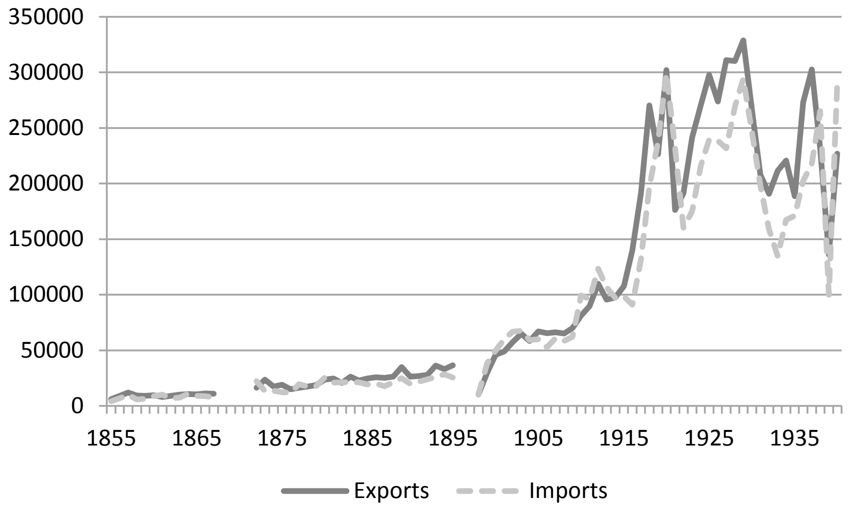
Regime Change with the Americans 1898–1946

A movement for independence had begun to formalise in the 1870s and culminated in 1896 with the Philippine Revolution. As the Spanish-American War broke out in 1898, independence was declared. However it was short-lived, as the Philippines came under American control by the Treaty of Paris in 1898, but fighting continued until 1902. During this period there were disruptions to the economy, and businesses were severely affected. As the Americans took control of the islands, they quickly set about introducing a number of reforms particularly in government institutions. They also strengthened the educational system and established a judiciary modelled on the American system. The Philippines was brought under the American tariff system in 1909. By 1913 Filipino exporters had full tariff free access to the large American market. Key exports such as sugar, coconut, abaca and tobacco were largely directed to the US. Total exports amounted to $48 million in 1913, and by 1920 they had increased to $150 million.[75] In figure 2 it is clear how the opening of the US market led to a rapid increase in trade. By 1930, 79 per cent of Philippine exports went to the United States and 63 per cent of its imports originated from there.[76] However, agriculture expanded by on average 4 per cent during 1900–1920 so the increase in exports to the US reflects the trade diversion created by the tariff policies. The economic policies contributed to a continued focus on cultivating crops for exports with limited value-added. The number of sugar centrals to process sugar increased rapidly during the first three decades of the twentieth century.

[75] Larkin (1993), pp. 48–50.

[76] Annual Report of the Governor-General of the Philippines, p. 14.

Figure 2. Total Trade 1850–1940 (1,000 pesos)



Source: Based on Nagano (2007), Bureau of Customs data. There are breaks in the data from Bureau of Customs in 1868–69 and 1896–1897

Industrial growth averaged 4.9 per cent 1902–1946 with mining expanding rapidly, followed by manufacturing due to domestic demand.[77] Mining and other capital-intensive sectors were dominated by American firms that brought the technology and financing necessary for large-scale investments and for some manufacturing. Services grew rapidly as demand for a range of services increased as the economy expanded, including wholesale and retail, as well as transportation services.

In 1907 the Philippine Assembly was set up. By 1916 it had full legislative powers when the elected Philippine Senate was established, and the appointed Philippine Commission was dissolved. Only Filipinos were eligible for election.[78]

In addition to the trade framework that shaped the economy by promoting agriculture and agribusinesses, the Americans established a legal and regulatory framework for business. Some of the new laws replaced the Spanish ones that had been in place. The Corporation Act was enacted in 1906 and introduced the "corporation" as an entity.[79] The law was modelled on the US corporation law and the common law system. It contained a section on railroad companies like the previous commercial code. Railroads never became as significant in the Philippine economic development as in the US. Only two were in operation at the time, one near Manila and one on the island of Panay.

[77] Hooley (2005), p. 469.

[78] Francia (2010), pp. 166–167.

[79] Act No. 1459, commonly known as the Corporation Act.

A bookkeeping law was introduced in 1921 and a Securities Act in 1936.[80] Like the corporation law, these were modelled on the corresponding US laws. These laws were arguably the most modern and developed at the time and replaced the Spanish laws where equivalent ones had existed. The effect of the American period on local business was a continued strong emphasis on primary products. Domestic manufacturing was by and large at a disadvantage compared to the American goods entering the country duty free and Americans investing in capital intensive sectors such as mining.

Estimates point to real GDP growth averaging 4.2 per cent during 1902–1940 and 2.15 per cent on a per capita basis.[81] Trade was largely directed to the US, which accounted for 70–80 per cent of exports and imports. Japan came second as trade partner and the Netherlands was the third largest export destination, while Germany emerged as the third largest source of imports.

The First World War had mixed effects on the Philippine economy. On the one hand, demand for abaca and sugar grew. The first was needed for fleets and the second to replace sugar beets from Europe. On the other hand, trade became restricted through British influence on trade routes and on finance. Since British banks were the backbone of international banking in East Asia, these restrictions affected their ability to provide trade finance and foreign exchange services. The interwar years continued much as the pre-war years with an emphasis on export crops. The demand for sugar continued to be high after the war since sugar beet fields in Europe were destroyed. The demand for abaca petered off instead.

The Depression had a negative impact since demand for agricultural produce decreased and world market prices fell. Farmer groups in the US argued for an end to the trade agreement with the Philippines, claiming that it hurt American sugar farmers. This took place amid much debate and negotiations regarding Philippine independence and what kind of economic relationship the country would have with the United States. On the eve of the Second World War, the Philippine economy was still mainly focused on agriculture. The growth rates in all sectors except mining were lower in the 1930s. The war brought Japanese occupation, and the economy was severely damaged and much of the infrastructure was destroyed during the liberation at the end of the war.

Politically, the Philippines became associated to the US through the Tydings-McDuffie Act of the United States. The Philippines had its own constitution, president, legislative authority in most matters and continued to be integrated with the US economy and US foreign and security policies. The Philippine 1935 Constitution states, among other things, that natural resources should be at least 60 per cent Filipino owned, as should land.[82] The Consti-

[80] Act No 1600, Budget and Accounting and Commonwealth Act No 83, the Securities Act.

[81] Hooley (2005) updated his own data from Hooley (1968). His data was later used by Maddison et al. (2006) and is the most authoritative calculations for this period.

[82] The Philippine Constitution of 1935, Article XIII.

tution also restates the limits on land ownership for individuals, corporations and homesteads that were first set in a law in 1902. Thus the limits on ownership of land and natural resources were given the strongest possible legal status. This would affect economic policies and developments throughout the post-war period, and these constitutional limits continue to be a source of debate and academic study.[83]

Post-war Reconstruction and Import Substitution 1946–1972

Full independence was declared in 1946. Economically the ties to the US remained strong. The Bell Trade Act, passed in 1946 by the US congress, provided free trade with the US for eight years and gradually increasing tariffs or declining quotas for some goods for another twenty years.[84] In addition, the Act regulated the value of the currency, confirming the exchange rate of 2 pesos per US dollar. Furthermore, it gave American citizens and corporations parity with Filipinos in utilising and owning natural resources and operating public utilities. The so-called "parity clause" contradicted the 1935 Constitution, which gave exclusive rights to Filipino citizens to develop natural resources. Foreign ownership was allowed as minority stakes. Golay and Shalom both argue that the Rehabilitation Act was what made the parity clause acceptable.[85] The Rehabilitation Act passed by the US in 1946 provided financial assistance from the US to pay for war damage in the Philippines, and this financial assistance was deemed important enough to introduce a parity clause.

The trade policies thus encouraged a continued focus on agricultural exports and continued to put investments in manufacturing at a disadvantage for Filipinos. The Bell Act was also criticised at the time, since it put the newly independent Philippines in a poor position to industrialise on a larger scale. Cuaderno argued that it also put the Philippines at a disadvantage for attracting foreign investment since American goods could easily be exported there, rather than being produced locally.[86]

The Import Control Act of 1950 directed foreign exchange to Filipino businesses and the Retail Trade Nationalization Act of 1954 limited ownership in the retail sector to Filipino citizens.[87] This was in addition to the restrictions on foreign ownership that were instituted in 1935 noted above. Certain sectors were thus open only to Filipino nationals. This focus on nationality was aimed at both the Chinese, who dominated retail trade, and the Americans, who had

[83] A comprehensive discussion can be found in Sicat (2008).

[84] The Philippine Trade Act of 1946, commonly referred to as the Bell Act.

[85] Golay (1961), p. 65; Shalom (1980).

[86] Cuaderno (1952).

[87] Republic Act no 426, Import Control Act, and Republic Act no 1180, known as the Retail Nationalization Act.

the resources for large-scale investments in mining and electricity.[88] In 1948, foreigners owned 54 per cent of companies in commerce, 82 per cent in electricity and almost 58 per cent in mining. The data does not provide breakdown on nationality, but as noted non-naturalised Chinese were active in retailing and the Americans in more capital-intensive sectors such as mining.[89]

Other reforms were instituted to stimulate domestic manufacturing and further encourage Filipino ownership and meant a shift towards import substitution to nurture domestic industries. Certain tax breaks for example were offered to “new and necessary” industries.[90] New industries were those that had not been commercially exploited before the war and necessary were industries which would contribute to industrial and economic development.[91] These industries could replace imports and encourage domestic production. There was little focus in producing for exports. Joint-ventures with foreign firms was one avenue to get access to the technology and skills that were in short supply in the country.

The industries that were considered pioneering industries that received tax breaks were for example food manufacturing with the aim of stimulating growth of domestic production to replace imports. 826 firms were approved as “new and necessary industries”, and about 2,000 commodities were listed for exemptions by June 1958.[92] Manufacturing did expand, mainly in food production and the assembly industry with few backward linkages.[93] The economy grew rapidly in the first decades following the war, achieving on average 5.2 per cent real GDP growth per year until the end of the 1960s.[94]

The sectoral composition of GDP in table 3 shows that the share of agriculture declined from almost 40 per cent of GDP in 1902 to 30 per cent by 1960. Meanwhile industry grew from only 12 per cent to 31 during the same period, with substantial growth in manufacturing. The largest increase took place between 1940 and 1960. Retail made up around a quarter of GDP, signalling the importance of this sector, and this was perhaps one reason why the restriction on ownership was imposed in 1954. Government services remained small. It is worthwhile to note that services had long accounted for a large share of GDP and also that government services made up a very small part.

[88] An extensive discussion of Philippine economic nationalism and its implication for growth and development in the post-war era is found in Sicat (2007).

[89] Riviera (1994), p. 78.

[90] Republic Act 35 of 1946 and Republic Act 901 of 1951 are the main laws detailing exemptions from taxes and duties. The Import Control Act also had the aim of substituting imports and thus protected local manufacturers.

[91] Golay (1961), p. 248. 826 companies were registered as pioneering.

[92] Golay (1960).

[93] Bautista & Power (1979).

[94] National Statistical Coordination Board .

Table 3. *Distribution of GDP by Sector, Selected Years 1902–1980 (1985 prices)*

	1902	1920	1940	1960	1980
Agriculture	39.8	36.6	37.3	30.0	23.5
Industry	12.2	20.6	19.6	31.4	40.5
Mining	0.1	0.2	1.3	1.1	1.5
Manufacturing	10.6	13.8	15.0	24.8	27.6
Construction	1.4	5.7	1.9	4.3	9.4
Elec., gas, water	0.2	0.9	1.4	1.1	2.0
Services	48	42.9	43.1	38.7	36.0
Transp. & comm.	0.6	2.4	4.1	3.8	4.8
Retail, wholesale	31.0	25.6	23.6	24.7	13.0
Finance	0.9	0.7	1.1	n/a	3.9
Off dwellings & real estate	2.8	2.3	3.3	n/a/	5.2
Private Services	11.9	10.1	11.1	10.2	4.9
Govt. services	3.6	4.1	3.2	n/a	4.2
Total	100	100	100	100	100

Source. Golay (2005) 1902–1980. Nb. 1902–1940 Private services include real estate. In 1960 finance is included in retail and wholesale.

Martial Law and Economic Crisis 1972–1986

Growth in manufacturing was sluggish in the 1960s, and a policy response was to provide new incentives to industry comprising tax incentives and a focus on production for exports, including the establishment of an export processing zone. The government under President Marcos (1965–86) also actively sought to attract international investments. The policies became a mix of import substitution and export promotion, with an increased focus on attracting foreign direct investment in the 1970s. Foreign direct investment grew rapidly from USD 23 million in 1971 to USD 133 million in 1974.[95] One impediment to foreign direct investment was the limit on foreign ownership. In certain sectors, it was limited to 40 per cent, and retail trade was closed to foreigners.

Increased international demand for raw materials in the early 1970s contributed to a recovery of growth rates, which eventually reached an average of 6.8 per cent during the decade. The government borrowed heavily from official and private sources during the 1970s, which led to a build-up of debt. At the same time, the country had to deal with the effects of the oil crises. By 1983, the total debt amounted to 72.2 per cent of GNP, and the debt-service

[95] UNCTAD – Foreign Direct Investment Database.

ratio reached 38.2 percent. A series of moratoriums on debt repayments began, and by May 1985 a rescheduling agreement was signed with private creditors. Meanwhile interest payments reached 15 per cent of government expenditure in 1984. Inflation had been high throughout the 1970s after the 1971 devaluation, and by 1984 it reached 50 per cent. The serious economic situation made reforms necessary, including debt rescheduling and tight fiscal policies.

Real growth was almost 4 per cent per year 1979–1982, but averaged only 1.6 per cent in the 1980s. The power sector was hamstrung, and the intermittent power supply led to production losses and low levels of investment. Other ASEAN economies like Thailand, Malaysia and Indonesia all had policies encouraging foreign investments and export promotion in the 1980s. Their real GDP growth rates reached 7–8 per cent per year, while the Philippine real growth rate was very sluggish at 2 per cent. (See table 5 for details.) The deteriorating economic and political situation in the Philippines from the end of the 1970s until 1986 is put forth as one explanation for why multinationals preferred to invest in other ASEAN countries, rather than in the Philippines. In addition, the limits on foreign ownership in many sectors most likely contributed to the limited investments during this time. Indonesia, Malaysia and Thailand did not have similar general restrictions on foreign ownership.

GDP per capita levels also reflected an increased divide between these economies. In 1980 GDP per capita in the Philippines was USD 2,376, and by 1990 it had actually decreased in constant prices to USD 2,224. In Malaysia, Thailand and Indonesia, GDP per capita had increased during the same period, in Malaysia and Thailand to twice the level in the Philippines. In table 4 comparative numbers are found from 1950 to 2000. These show that in 1950 the Philippines had the second highest GDP per capita in Asia after Japan reflecting the growth in the preceding decades. By 2000 it was surpassed by several ASEAN countries owing to differences in both exogenous and endogenous factors between 1970 and 2000.[96]

In September 1972 President Marcos declared martial law, ostensibly to be able to more effectively introduce reforms to spur growth and to stop a communist insurgency. Most scholars point out that he had another motive, to break up old power structures among the elites as well.[97] The policies he pursued meant that he and his allies took control over key sectors of the economy. The coconut industry was brought under one umbrella organisation headed by one of his allies for example, and he ensured that others got ahead in business through license agreements and the like. The same happened to the sugar industry. Media houses were shut down or, in the case of the largest owned by the Lopez family, simply taken over. The Lopez family business was managed by Eugenio Lopez, brother of the vice president Fernando Lopez. As will be

[96] For detailed examinations of growth and development policies in East Asia, see for example Hughes (1988); Wade (1990); Vogel (1991); World Bank (1993).

[97] For in-depth studies of the Marcos years, see for example Aquino (1999); Overholt (1986); Salgado (1985), pp. 57–151, and Wurfel (1991) pp. 115–153.

Table 4. *Real GDP Per Capita in Selected Asian Countries 1950–2000* (USD)

	1950	1960	1970	1980	1990	2000
Korea	770	1,105	1,954	4,114	8,794	14,343
Taiwan	924	1,492	2,980	5,869	9,886	16,642
Indonesia	840	1,019	1,194	1,870	2,516	3,203
Malaysia	1,559	1,530	2,079	3,657	5,132	7,872
Philippines	1,070	1,476	1,764	2,376	2,224	2,385
Thailand	817	1,078	1,694	2,554	4,629	6,336

Source: Maddison 2007. Nb. 1990 international Geary-Khamis dollars

discussed in more detail in Paper I: Institutions Matter, Eugenio was forced to sign over control of the largest of the companies in the business group, the power company Meralco, for a small amount.[98] This action is interpreted as being the defining act of Marcos' plan to break old power structures and promote another group of businessmen by ensuring that they got certain positions.[99]

The economic policies of the 1970s led to more foreign investment, but starting in the 1980s the debt levels had become unsustainable and a crisis was inevitable. The first half of the 1980s meant a contraction of growth, high inflation, deterioration of government finances and a drop in investments.

People Power and Beyond

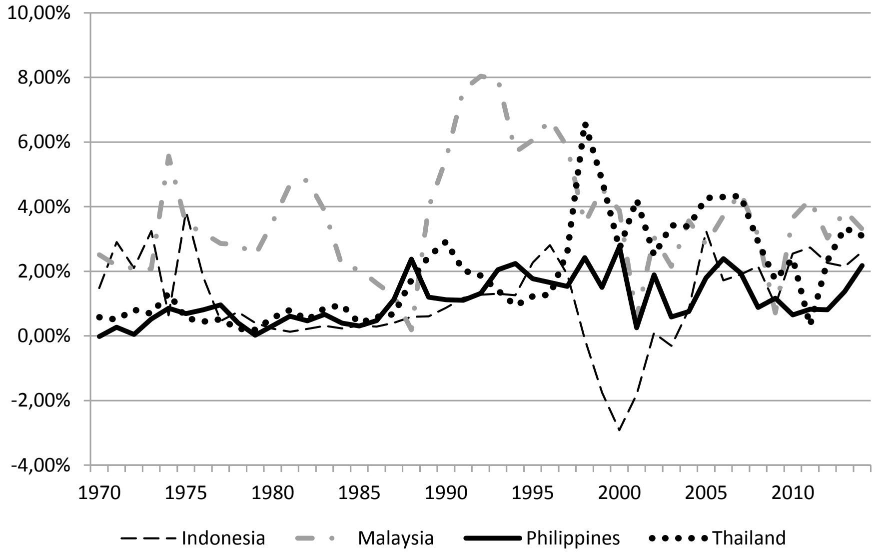
The People Power revolution in 1986 brought about a change in politics with the end of the Marcos regime. The name refers to the massive public protests that were instrumental in bringing about the change and the fact that it was a by and large non-violent coup. Mrs Corazon Aquino, widow of the opposition leader Benigno Aquino, became president and set out to change the economic policies to stimulate growth through a more open trade regime.[100] Several reforms were instituted to liberalise and deregulate sectors of the economy, including power, transportation, telecom, port operations and utilities. The supply of power stabilised, facilitating industrial production which expanded. Services in other liberalised sectors grew in response to pent up demand, especially in telecom and transportation. Growth picked up somewhat during the

[98] This was done as part of a deal to free Mr Lopez's son who had been jailed on suspicion of a murder plot. No charges were ever made, nor any evidence presented. Mr Geny Lopez was not released, but subsequently escaped. Rodrigo (2000) pp. 453–499.; Interview with Mr Lopez in 1975, reprinted in Abueva (1998) pp. 155–179.

[99] Details of the business dealings are found in Manapat (1991) and Salgado (1985), pp. 55–105.

[100] De Dios & Hutchcroft (2003), pp. 51–55.

Figure 3. Foreign Direct Investment Inflows as Percentage of GDP (1970–2014)



Source: UNCTAD

latter half of the 1980s. However, several coup attempts contributed to uncertainty regarding the political situation and the permanence of the reforms.[101]

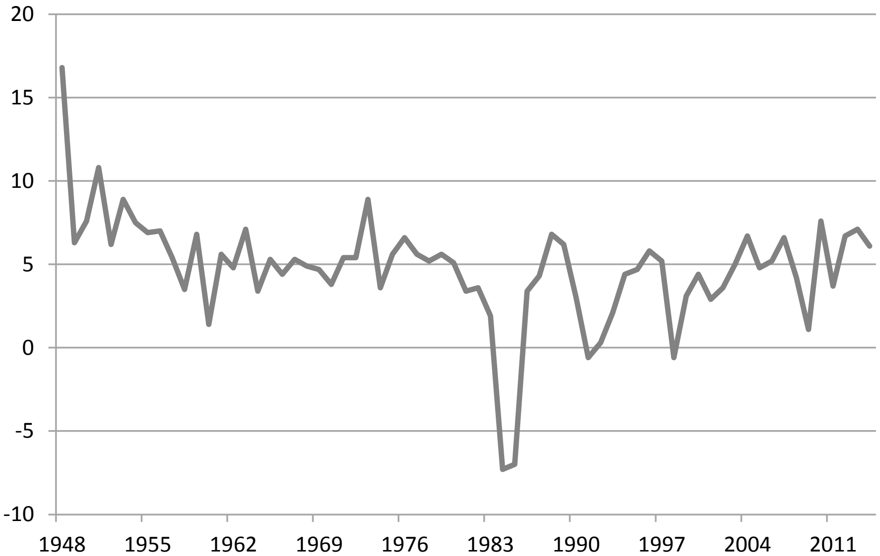
Therefore, several reforms did not get underway until the next president was inaugurated in 1992. The former general Fidel Ramos brought stability to the presidency and reforms took effect. The post-Marcos years saw one radical institutional change in the new Constitution adopted in 1987. It limited the presidential term to a single term of six years.[102] Other features, such as the limits on foreign ownership in certain sectors, remained. Successive governments sought to increase foreign direct investment by opening economic zones and offering various incentives to foreign firms, but the limitations on ownership in the Constitution and a substantial negative list with restrictions on foreign investments hampered its inflow. FDI did increase, but the gap that had emerged between the Philippines and other Southeast Asian countries remained as shown in figure 3. There have been numerous discussions about revising the Constitution to alter or remove the restrictions on foreign ownership.[103] Many economists have argued in favour of changes, but acknowledge that Constitution should not be treated lightly as one change may lead to demand for more changes

[101] Tate (1994)

[102] The Philippine Constitution, art VII Section 4.

[103] Sicat (2008).

Figure 4. Real GDP Growth 1948–2014



Source: National Statistical Coordination Board

The Philippines was affected by the Asian financial crisis in 1997–98, mainly through contagion.[104] The Philippine banking system did not have the same build-up of currency and maturity mismatches as the main crisis countries had. The implicitly fixed exchange rate to the dollar had to be abandoned, and the peso depreciated sharply. A number of wide-ranging reforms were initiated in the financial sector to strengthen regulation and supervision and broaden the financial system. Economic growth was affected, but rebounded after a few years. In addition to developments in sectors that were deregulated, such as power, telecom, and transportation, the information technology industry expanded. Business process outsourcing emerged as a growth industry thanks to a well-educated English-speaking labour force.[105]

Figure 4, which depicts real GDP growth from 1948, summarises developments, showing the crisis in the early 1980s with a sharp drop in growth. Political uncertainty surrounding the reform pace and coup attempts had an impact on growth in the early 1990s. The effect of the Asian crisis shows in 1997, and the international crises around 2001 and 2008 also affected growth.

In the beginning of the twenty-first century the Philippine economy is an open economy that is integrated with the Asian region. By 2000 services contributed 51 of GDP, while the share of agriculture had dropped to 14 percent and industry accounted for 34.5 per cent. Government services have remained

[104] The Asian Crisis is detailed by for example Corsetti et al. (1998) and Kumar & Debroy (1999).

[105] For a detailed analysis, see Magtibay-Ramos et al. (2007) and Munoz & Welsh (2006).

almost unchanged over the twentieth century, accounting for 3.6 per cent of estimated GDP in 1902 and 5.1 per cent in 2000.[106] The Philippines has developed a different type of economy than the export-driven economies of Indonesia, Malaysia and Thailand, but the government wants to attract more investments. Philippine companies are becoming more internationalised, investing in neighbouring countries and positioning themselves for more integration in the ASEAN economic community. From the mid-nineteenth century until today, family firms have dominated in commerce and industry, and this thesis will turn to discuss why that is the case and other questions related to family business groups.

East Asian Economies and Family Business Groups

Macroeconomic analyses of East Asian countries tend to start in the 1960s and focus on the high growth years from the mid–1960s until the Asian financial crises in the late 1990s. The "East Asian Miracle" report and subsequent debate focused on the developments in eight East Asian countries primarily from the 1960s onwards.[107] The four "dragons" – South Korea, Taiwan, Hong Kong and Singapore – led the way, and by the late 1970s and early 1980s Malaysia, Indonesia and Thailand began to catch up, with the Philippines lagging behind.[108] The term "miracle" refers to the sustained high real growth achieved along with improvements in indicators measuring development, such as literacy rates, infant mortality rates and maternal health, compared to other developing countries. The industrialisation patterns and business development differed between the countries and will be briefly reviewed here to further put the Philippine case into context. As has been noted, the Philippines had higher GDP per capita in the 1950s and 1960s than any other country in East Asia except Japan and was growing and industrialising rapidly in those decades. The so-called dragons quickly caught up, industrialising in the 1960s and surpassing the Philippines in the 1970s. Indonesia, Malaysia and Thailand started growing more quickly in the 1970s and 1980s. Table 4 shows average GDP per capita, while table 5 captures average real GDP growth in various

[106] Philippine Statistical Authority.

[107] The miracle economies included Japan, South Korea, Taiwan, Singapore, Hong Kong, Indonesia, Malaysia and Thailand. The term "the East Asian Miracle" is the title of a report by the World Bank published in 1993. The report was presented, reviewed and discussed in detail by several scholars in *World Development*, vol. 22, no 4. Amsden (1994); Kwon (1994) and Yanagihara (1994) were critical of the shallow analysis of industrial policies pursued in the countries, while Perkins (1994) noted that there were three distinct development models rather than one. Krugman (1994) argued that rapid growth of inputs explained growth and that there was no remarkable growth in productivity. Young (1995) worked through the data to reach a similar conclusion. James et al. (1987) and Wade (1990) analysed the interplay between state and market.

[108] The term "dragons" refer to the book by Vogel (1991).

Table 5. *Average Real GDP Growth in Southeast Asian Countries 1960–2000 (%)*

	1960s	1970s	1980s	1990s	2000s
Korea	9.5	8.2	9.1	5.4	4.4
Taiwan	9.6	9.7	7.9	6.1	3.2
Indonesia	3.0	8.0	5.4	4.0	5.4
Malaysia	n/a	7.9	6.0	7.1	5.6
Philippines	5.2	6.3	1.7	3.0	4.5
Thailand	7.9	6.9	7.9	4.4	4.0

Source: ADB key economic indicators for the 1960s and 1970s, IMF international financial statistics thereafter.

decades. The developments show clearly the different growth rates and per capita income between the two groups, the "dragons" and the newly industrialising economies (the NIEs).

This focus in much research on the post-war years possibly follows from the general interest in understanding development during this period, when numerous countries became independent and industrialisation started in several East Asian countries. However, as Cummings and Amsden point out, the focus on the post-war years misses the development in the first part of the twentieth century, when the Korean and Taiwanese economies were part of the Japanese empire and to some degree integrated with the Japanese economy.[109] Some manufacturing was set up, but in Korea it was located in what became North Korea, and after partition the south was mainly agricultural. To simply focus on the post-war years also somewhat misses that the Hong Kong and Singaporean economies had been established as trade centres for well over a century by the time the Second World War ended, even though industrialisation only started in the late 1950s and 1960s.

In the emerging economies in Southeast Asia, family business groups are more common than in the mature economies of South Korea and Taiwan. In the latter two countries, family business groups accounted for approximately 20–25 per cent of market capitalisation in 1998, whereas in Indonesia, Thailand and the Philippines they controlled about 50 per cent of market capitalisation.[110] These numbers give an idea of the role of family business groups in the private sector, but are likely to understate the total number since not all large companies are listed.

[109] Cumings (1984); Amsden (1979); Amsden (1989).

[110] Market capitalisation is the market value of all outstanding shares of listed companies at a specific point in time. Data from Claessens,et al. (1999). Ownership shares are for a cut-off of 20 per cent.

The City Sates of Hong Kong and Singapore

The city states of Hong Kong and Singapore have been trade centres thanks to natural harbours and their respective geographical location. Neither economy could exploit any agriculture or natural resources, and thus trade, services and some industrialisation were the options to grow. Hong Kong started by developing a textile and garment industry in the 1960s. It then moved into assembly and electronics while exploiting its position as a trade centre. With its own currency, credible legal system, long-established institutions and laissez-faire attitude, the city-state easily attracted foreign investments. In Hong Kong family firms, big and small, are the most common type of enterprise.[111] Over time a few have grown to become large, diversified groups such as Jardine Matheson, Hutchison-Whampoa and STDM, groups that also have regional or global reach.

Singapore, which left the federation with Malaysia in 1965, set out to rapidly develop itself as an independent state.[112] Institution-building for an independent nation was at the core. The county utilised its position well to continue to thrive from trade, attract foreign investment to create jobs and generate foreign exchange. The first industries were in textiles, but were soon replaced by electrical goods and later electronics. Port operations expanded, and the country continued to be an entrepôt for trade. In contrast to Hong Kong, the Singapore state has been very active in industrial policies, and the state has had significant stakes in various enterprises, not least through its investment company Temasek.

South Korea and the Japanese Model

Korea became integrated to some degree with the Japanese economy when it was under Japanese rule. The Japanese had built large hydropower plant and set up some industrial plants, but they were located in what became North Korea.[113] In the southern part of the country, there had been little industrialisation and the economic base was in agriculture. The Second World War and the Korean War led to severe destruction and a devastated economy. After the partition, the government in South Korea began to put resources into industrialisation. In the 1960s industrialisation took off with very active industrial policies.[114] Like Japan, the country had few natural resources to exploit and thus had to import raw material and machinery. The government introduced an import substitution policy built on contained five-year plans that focused on different industries to stimulate industrialisation. The Korean government

---

[111] Yu (1997).

[112] Singapore's development model is assessed by among others Lim (1983) and Huff (1995). A personal discussion is found in Lee (2000).

[113] Cumings (1984).

[114] Amsden (1989) provides an in-depth study of South Korea, while Vogel (1991) analyses and compares South Korea, Hong Kong, Singapore and Taiwan.

directed credits to specific sectors and specific firms as part of a very active industrial policy. Korean *chaebols* were founded in the 1960s. They were family business groups that were very similar to the Japanese pre-war *zaibatsus*, family-owned and -controlled and diversified.

The pre-war Japanese *zaibatsu* were family-owned business groups that played a prominent role in the industrialisation process from the 1870s and 1880s until the end of the Second World War. These groups were family-owned, diversified with numerous companies and often held together in a pyramid structure with a holding company at the apex.[115] They dominated the private sector since they had companies in several sectors and had large companies in terms of assets, but their share of total capital in the private sector was about 20 per cent according to estimates.[116] These groups have attracted interest from scholars since the groups had a particular role in the economy as Japan industrialised. They invested in new industries, introduced new goods and services and therefore played a central role in the industrialisation process, according to Morikawa.[117] The decline of the *zaibatsu* started with financial difficulties during the 1930s, and then they were dissolved after the war by the Americans. Individual companies continued to operate as free-standing firms and some later became part of the post-war business groups, the *keiretsu*. There is a recurring interest in the *zaibatsu* for their role in the industrialisation process in Japan because family business groups often form in newly industrialising countries. Their decline during the 1930s seemed to confirm that family business groups would be a transient phenomenon in industrialisation.

Certain Korean *chaebols* received considerable state-directed support in their first decade of operation.[118] They could not own banks, but could have other financial institutions such as insurance companies. Over time, as the groups diversified heavily and set up new companies, a complex web of cross-shareholdings emerged under family control. Kim argues that the *chaebols* managed scarce resources and built managing capabilities and technical knowhow within the group and utilised these resources in various group companies.[119] Over time the leading *chaebols* – LG, Samsung, and Daewoo – moved from producing a range of basic consumer goods to producing electrical appliances, automobiles and electronics and becoming multinational entities. The Asian financial crisis in 1997–98 had a severe effect on some of the *chaebols* and seemed to signal that they too would not survive as large family business groups. However, some of the original *chaebols*, most notably Samsung and LG, have grown to become global firms, while others like Hyundai have shrunk considerably in size both in absolute terms and

[115] Morikawa (1992) has written the most thorough account of the groups in English and provides details of the largest groups and the different types of groups.

[116] Morikawa (1992); Miyajima & Kawamoto (2010).

[117] Morikawa (1992).

[118] Amsden (1989); Kim (2010).

[119] Kim (2010), p. 175.

relative to other Korean groups, while South Korea has gone from a late industrialising, or emerging, economy to a mature economy.[120]

Taiwan

In Taiwan, there was an industrial base as well as infrastructure left from the Japanese period. The government and a civil service made up mainly of mainlanders set out with land reform and to promote industrialisation. The land reforms meant that former rural elites moved into small-scale business enterprises. The Taiwanese economy benefited from aid from the Americans as well as war reparations from the Japanese. The government actively supported foreign direct investment and technology transfer to domestic firms and also instituted industrial research as part of its policies to promote industrialisation.[121] Vogel argues that the openness to foreign direct investment had a foreign policy dimension too, as foreign investments replaced diplomatic recognition.[122] The government did not allocate bank credit to preferred industries or firms like the Korean government did. As a result, Taiwan has far more small- and medium-sized companies than Korea does. Family business groups emerged as well over time in response to tax incentives and policies to promote industry, but state-owned enterprises dominated in financial services, utilities, transportation and telecommunications.[123] In the late 1980s the economy was deregulated, and sectors such as finance, telecom and transportation were reformed. The deregulation provided ample opportunities for family business groups to expand into new sectors. However, as family business groups grew, a change occurred in family control. It declined substantially from 1988 to 1998, according to Chung and Mahmood.[124] Instead affiliates' share of equity rose to become the largest groups of shareholders of listed firms. This shift occurred as firms introduced more pyramidal ownership patterns and interlocking shareholding patterns, thus allowing families to retain control with smaller direct ownership shares.

Southeast Asian Newly Industrialising Economies

In Malaysia, the pre-independence economy was built on exports of raw material. Foreign investors played a large role in the extraction and export of tin and rubber.[125] The government instituted a policy of import substitution following independence in 1957. Following independence and the cessation of Singapore in 1965, the government introduced policies aimed at export promotion as a way to earn foreign exchange, increase employment and create

[120] Chang (2006).

[121] Amsden (1989).

[122] Vogel (1991) pp. 29–38.

[123] Chung & Mahmood (2006).

[124] Ibid.

[125] Ibid.

more industrial linkage. At this time foreigners owned 62 per cent of share capital, Chinese Malays owned 22.8 per cent, Malays owned 1.5 per cent, and Indian Malays owned 0.9 per cent. The remaining owners were nominee companies and others where the owner's nationality could not be determined.[126] The so-called new economic policy was instituted in 1971, with the aim of eliminating poverty and ensuring that no ethnic group dominated the economy.[127] The government actively promoted selected firms through awarding licenses, concessions and government contracts, as well as ensuring access to capital until the mid–1980s when more private business was encouraged. Japanese and increasingly Korean companies moved production to Malaysia in the 1980s.Some family-owned business groups emerged over time, but did not come to dominate the private sector.

In Indonesia, the pre-war economy was based on agriculture and natural resources.[128] Under Sukarno's "Guided Democracy" 1957–65, policies aimed at bringing the vast archipelago together as a nation. Little in the way of industrialisation took place, and agriculture remained the most important sector in terms of employment. Exports of primary products continued. Family business groups grew to dominate the private sector during the reign of Suharto (1968–98).[129] Suharto's "New Order" implied a shift in economic direction by encouraging foreign direct investment in resource exploitation and reforming the banking sector. Deregulation of the real sector in the late 1960s meant that private investments rose. Further deregulation in the 1980s saw a rapid growth of family business groups, as well as a continuation of state-owned business groups. Suharto gave licenses for certain sectors, such as the clove monopoly, to members of his family, and he also ensured that trusted businessmen friends secured certain businesses.[130]

The Salim group alone supposedly accounted for 5 per cent of Indonesia's GDP at one point.[131] It was founded by Liem Sioe Long, who had started with trading. He then received lucrative licenses for coffee exports and clove imports and from there built a diversified business group including manufacturing, banking and providing supplies to the Indonesian army in the 1960s.[132] The group expanded and became the largest family-owned business group in Indonesia. The Lippo group was founded by Mochtar Riady, who started with a bicycle repair shop, but later moved to raise funds for ailing banks.[133] By the 1970s he worked with the Salim group in their bank and entered into

[126] Gomez (2006).

[127] Gomez (2006); Jomo (2013).

[128] Vickers (2005); Schwarz (1999).

[129] Schwarz (1999).

[130] Hanani (2006).

[131] Estimate by The Economist in 1992.

[132] For studies of the Salim group, see Dieleman (2007); Dieleman & Sachs (2007) and Sato (1993).

[133] Moss-Kanter (1996).

some joint-ventures with them. At the same time, Lippo trading was founded, and the group soon expanded into financial services, retailing and trading. The Salim and Lippo groups were the largest family business groups aside from the businesses controlled by the Suharto family until the Asian financial crisis in 1997. Suharto intervened in the economy, but there was not an active industrial policy aimed at developing certain industries.

In Thailand, by contrast, family business groups that are among the largest firms today began to emerge in the early twentieth century. The Thai government promoted Chinese immigration and gave them privileges such as investment loans, trading licenses and other support.[134] Some of the Chinese merchants did very well in rice trading, and by the 1930s the rice trade was dominated by five families. They diversified their businesses into rice milling, warehousing, shipping, banking and insurance. Owning a bank and being active in financial intermediation proved to be very important when there were underdeveloped capital markets, and these family business groups did very well until the 1980s.[135] The government policies then shifted towards export promotion in the 1980s. Family firms that were more industry-centred consequently formed joint-ventures with foreign companies, and their business grew more rapidly than the bank-centred ones.[136] These groups consist of legally independent firms that are controlled by a family through direct ownership, pyramidal shareholding and cross shareholding among group firms. Other large business groups in Thailand are either owned by the Crown Property Bureau (the monarchy) or the state. In Thailand there are old family business groups that have prospered throughout the economic transformation of the twentieth century and political changes, as opposed to the case in Indonesia, Malaysia and South Korea, where the groups were formed in the post-war years.

The East Asian economies chose slightly different paths in the second half of the twentieth century, but share common characteristics in the form of high domestic savings over time, high productivity growth in agriculture, and comparatively high levels of education. The countries became open to foreign investments over time in order to get access to technology and skills and to be able to manufacture exports that earn foreign exchange. The Philippine developments show that there was a clear break in the 1970s, when the neighbouring countries in Southeast Asia continued their rapid growth and attracted foreign investments. Structural impediments in the power sector contributed to the slower growth in the Philippines and the limits on foreign ownership is noted as one problem as well, but above all it seems that the politics during the Marcos years kept potential investors at bay.

[134] Baker & Phongpaichit (2005); Khanthavit et al. (2003); Polsiri & Wiwattanakantang (2006).

[135] Polsiri & Wiwattanakantang (2006); Hemrit (2011); Suehiro (1993); Waildersak & Suehiro (2010).

[136] Waildersak & Suehiro (2010).

The Asian financial crisis in 1997–98, which was severe in Thailand, South Korea and Indonesia, exposed weaknesses in above all the financial systems. The de facto pegged exchange rates contributed to an unsustainable build-up of currency and maturity mismatches in the banking and corporate systems. The crisis led to revisions of the understanding of the performance of the Asian economies in general, analysing weaknesses in institution-building and political systems. In addition, papers were published examining the banking and corporate sectors as part of the analysis of the build-up of private debt in the years before the crisis.[137] The fact that family firms dominated the private sector in the crisis countries of South Korea, Thailand, Indonesia and Malaysia was discussed, and several studies followed analysing family firms, primarily from the perspectives of corporate governance and corporate finance.[138] These studies emphasised the fact that family ownership was common among listed firms and that they relied, in general, more on banks for external finance, rather than on capital markets. The financial systems and corporate structure were quite similar in Indonesia, Thailand and the Philippines at the time of the crisis.

Paper I: Institutions Matter

A common explanation for the dominance of family businesses and family business groups in the early stage of an industrialisation process is that institutions are weak or absent.[139] The weak institutions argument for the existence of family businesses says that if key institutions such as property rights are neither defined nor secure, then ownership will be kept in a trusted group such as the family and this will substitute poor institutions. Institutions are broadly defined as rules devised by humans to facilitate interaction.[140] The formal institutions include, inter alia, legal systems, while informal institutions include, inter alia, norms and customs.[141] North notes that there is a distinct hierarchy in formal institutions from constitutions to laws to contracts and that they go from general to specific. There are legal institutions codifying laws, political institutions defining the structure of the polity, and economic institutions governing contracts.

The core formal institution is property rights, usually exemplified by land ownership. The legal framework concerning property rights and the enforcement of the same are a good proxy for the strength of institutions. The institutions that are most frequently studied in contemporary literature on cor-

137 See for example Claessens et al. (1999); Pomerleano (1998); Lindgren et al. (2000).

138 Claessens et al. (1999); Zhuang, Edwards & Capulong (2001).

139 Collí (2003); Khanna & Yafeh (2007); Colpan & Hikino (2010).

140 North (1990), p. 3.

141 North (1990), p. 47.

porate ownership, however, relate to the protection of minority shareholders and emanate from the so-called law and finance hypothesis. This is based on the seminal article by La Porta, Lopes-de Silanes and Shleifer.[142] They argue that common law countries offer better protection for minority shareholders than civil law countries.[143] This would have implications for financial markets with more developed stock markets, in particular in common law countries. La Porta and Lopes-de Silanes also found that corporate ownership is more concentrated, i.e. family-owned firms are more common, in civil law countries.[144] This follows from the relatively weaker protection of minority shareholders in civil law countries. This article spawned numerous studies to test the hypothesis, with some supporting it, while others did not.[145] Country studies have shown that historically the separation of ownership and control occurred earlier than assumed in the United States and United Kingdom and that there was a clear separation in some countries before investor protection was strengthened.[146]

In the sample in La Porta et al., the Philippines is listed as a civil law country, probably because the Philippines was a Spanish colony and Spain introduced civil law in the country.[147] However, when the Americans took over, they partly revised the legal system, and it is usually classified as a hybrid of civil and common law.[148] The Corporation Code and the Securities Code, which are relevant to study shareholder rights, are based on US common law.[149] The result that a common law country, such as the Philippines, has many family firms is in itself a good reason to delve into the question of the role of institutions.

Minority shareholder rights are a useful proxy for property rights for contemporary studies. This paper aims to examine the role of institutions over a longer time period and traces the evolution of property rights in terms of land ownership as well as legal institutions and economic policies and their influ-

[142] La Porta et al. (1998).

[143] Common law countries have a legal tradition where the law evolves with court rulings, whereas civil law is based more on solid statutes. Common law countries include the United Kingdom and countries that adopted English law, such as the United States and many Commonwealth countries. Civil law countries build on Roman law and later the French civil law tradition. Civil law countries include France, most of continental Europe and countries that adopted French law. Germany and the Scandinavian countries developed a distinct type of civil law system. In the literature, the distinctions are made on a basic level between common and civil law and on a more detailed level between common law, French civil law, German civil law and Scandinavian civil law.

[144] La Porta et al. (1999).

[145] Critical examinations of the law and finance study include Beck, Dmirgûc-Kunt & Levine (2002); Glaeser & Shleifer (2002); Holdmans (2008); Klerman & Mahoney (2007); Spamann (2008).

[146] See for example Hannah (2007); Franks et al. (2009); Fohlin (2005).

[147] The classification is based on Reynolds & Flores (1989).

[148] Pangalangan (2001).

[149] Reynolds & Flores (1989).

ence on family business groups. The Philippine case has been little researched from this angle, and it tells a different story than contemporary research that focuses on the post-war period or even the post-Asian crisis period. Research on Philippine economic history has focused on the industrialisation processes and examined the policies to promote domestic industries in the 1950s and 1960s and the businesses that benefited from them.[150] Riviera has studied landlords and capitalists, examining the link between the two.[151] These studies are rich in empirical data and provide a broad canvas of industrialisation patterns as well and the bridge between agribusiness and industry. Studies that emerged in the post-Asian crisis years predominantly focus on ownership concentration, inspired by the law and finance literature.[152]

By taking a historical perspective on the evolution of the formal institutions and family business groups, this paper argues that formal institutions certainly affect family business groups, but are not likely to be the main reason that firms remain family owned and that family business groups predominate among listed firms. Property rights in terms of land ownership are found to be strong and so are informal institutions. The paper thus contributes to the literature on family business groups in emerging markets by taking a historical perspective and challenging some of the conventional views on family business groups.

Paper II: Funding the Family Firm 1850–1930

This paper takes a step back in time to study the nascent financial market in the Philippines and what it meant to family firms during a period when the country built its economy around agricultural exports and began ever so slowly to industrialise. The theoretical starting point is a basic model where financial systems either emerge through growth from above or below as countries industrialise.[153] Systems where the government plans, funds or in other ways supports banks to make them invest in certain sectors to achieve growth are systems that "grow from above". The opposite are systems where banks and other financial institutions "grow from below" as a result of demand from firms large and small. There is no sharp division between the two, since governments usually establish central banks and promulgate laws and regulations, but beyond that there are differences regarding whether the development of financial institutions are driven by the government from above or the actors from below.

[150] Golay (1960); Golay (1961).

[151] Riviera (1994).

[152] Claessens et al. (1999); Claessens et al. (2000).

[153] Exemplified by Cameron et al. (1967).

Family firms were the norm in the late nineteenth century Philippines.[154] Three broad groups of entrepreneurs emerged. There were families who built their businesses and fortunes in the booming sugar business.[155] They had large holdings of land and invested in sugar mills and then other industries. These families were directly connected to the increasing international trade. Another group consisted of the domestic merchants. They were the middlemen who both supplied the foreign merchants with produce for export and the locals with imports through wholesale and retail networks.[156] The third group of entrepreneurs focused more on other services and on producing goods locally.[157]

Formal funding sources were few and far between. There was only one local bank between 1851 and 1902 and two foreign banks from the 1870s onwards. The banks were mainly interested in funding the booming agribusiness and less interested in funding non-trade related domestic businesses. When the Americans took over in 1898, they acted decisively to augment the financial services available to stimulate growth in agribusiness. A number of new banks were founded and lending increased dramatically, but the expansion was not tenable.

The purpose of this paper is to assess the role of formal funding sources during early industrialisation in the Philippines. What drives the process and who benefits? The Americans wanted to induce growth from below, but had to push from above with poor results. The paper finds that some family firms certainly benefited from the expansion of bank finance, but established family firms did without. Bank finance certainly helped spur growth, but was not instrumental for the growth of family business groups.

Paper III: Capital Markets and Family Firms in the Philippines since the Asian Crisis

The third paper deals with family business groups and capital markets. The starting point is the Asian financial crisis that led to major reforms in the financial sector, as well as reforms in corporate governance practices. The 1997 Asian financial crisis was essentially a private sector crisis where maturity and currency mismatches in banks' balance sheets proved to be untenable as the (implicitly) fixed exchange rates did not hold. The crisis revealed weaknesses

[154] Statistics on corporations and business establishments do not classify them as family owned, but rather by sector. The historical accounts detail the role of foreign merchants and their different roles.

[155] de Jesus and CM Coy (1982) contain detailed regional studies of the role of sugar and other exports crops in the local economy, while Larkin (1993) examines the sugar business in detail.

[156] The middlemen were mostly Chinese whose history in the Philippine economy is found in Wickberg (1965) and Palanca (1995).

[157] These entrepreneurs are documented in general accounts of Philippine nineteenth century history by Legarda (1999) and de Borja (2005), as well as in individual corporate histories.

in governance in the banking and corporate sectors, as well weaknesses with a bank-based financial system. The crisis countries in Southeast Asia all had bank-based corporate sectors where family firms were prominent among listed companies and in terms of market capitalisation.

The crisis contributed to a renewed scholarly debate regarding types of financial systems, bank-based or market-based, and which system was more conducive to growth.[158] Bank-based financial systems are usually represented by the German and Japanese systems, where banks dominate the financial system and tend to be very close to their large corporate customers.[159] The market-based system is usually represented by the UK and the US, where capital markets are more well-developed and liquid and offer long-term finance.[160] It should be noted, however, that it is a question of degree, rather than a sharp division between the two systems.

At the same time, another debate focused on the predominance of family business groups in Asian countries and argued that this concentration of ownership was probably linked to bank-based financial systems. More developed capital markets would not only provide a "spare tire" in the economy, but also provide more financing options for firms.[161] Market-based systems are also said to better at monitoring firms, since more disclosure of financial accounts are required for stock- and bondholders.[162] The family business groups were perceived to be large and opaque, even though they were listed and subject to the disclosure rules that prevailed at the time.[163]

Even though the Philippines was affected mainly through contagion and had to abandon its fixed exchange rate to the US dollar, none of the major universal banks had to be nationalised recapitalised. The crisis nevertheless led to major reforms to deepen the financial systems through capital market development and reforms to enhance corporate governance requirements in the Philippines too.

This paper will analyse what the capital market and governance reforms in the Philippines meant for family business groups from the premise that these should transform the financial and corporate sectors. The contribution to the literature is an examination of the role of capital markets for family business groups in the Philippines.

[158] See for example Beck (2002); Demirgûç-Kunt & Levine (2004); Levine (2002).

[159] Aoki & Patrick (1994); Corbett & Jenkinson (1997); Lazonick & O'Sullivan (1997).

[160] Corbett & Jenkinson (1997); Mayer (2006).

[161] In a speech Mr Alan Greenspan made the reference to the need for a "spare tire". Greenspan (1999).

[162] Levine (2002).

[163] Claessens et al. (1999); Mead (1998).

Paper IV: Governing for the Long Term

The question of longevity comes up with respect to family firms, since the expectation is low that a family can retain ownership and control while maintaining a prosperous business over time. Stories abound of squandered wealth in family firms where heirs have failed to manage the business. It is never quite clear, however, what the general expectation of longevity is for a firm, regardless of ownership structure. The Corporation Code in the Philippines says that the corporation is expected to last for fifty years. An extension can easily be made, but it is nevertheless noteworthy that the law includes a time limit.[164] Studies of longevity note that firms change corporate form or owners through mergers and acquisitions, but the products or services continue to be produced. In some cases brands remain regardless of owner, and the firm in some sense lives on. One illustration is the case of take-overs in the automotive industry, where Volvo for example has changed owners twice since it was founded, but the brand remains regardless of ownership.

Longevity and survival indicate how well a family has managed to secure funding and how well they have governed the firm. As Larsson and Colli put it, in family firms "longevity and survival are both strategic goals and a measure of performance".[165] James' exposé of the Wendels, Haniels and Falcks illustrate well how family dynasties in three countries managed their family firms over time, both in terms of who was chosen to lead and how that choice was made. The study also shows how these firms were managed and responded to the changing times.[166] They adapted their businesses to changes in demand and diversified as a way to balance risks, and they displayed flexibility in how they governed their respective firms. The Wendels and Haniels succeeded in changing strategies and leaving steel in time and continue to be successful, whereas Falcks did not change their mix until later.

To understand what makes firms last through decades or even centuries, studies have come up with different answers. There are three aspects to consider: finance, governance, and strategy.[167] These apply to all firms, but kinship is what sets family firms apart. Kinship is central in a family firm and influences, and sometimes limits, the options regarding how a firm can be financed and governed. This paper deals primarily with governance and to some extent strategy, since it reflects governance decisions. Here governance is related to who governs the firm, as well as how it is governed.

Many family firms were founded by entrepreneurs who identified a need for a product or service. Some managed to build a sizeable firm and entered

---

[164] Corporation Code 1980.

[165] Collí & Larsson (2014).

[166] James (2006).

[167] Colli (2013) adds organisation as a separate item, but here organisation is treated under governance as it deals with how firms are governed or managed both in day-to-day operations and more strategically.

into new businesses again and again, expanding one firm into a group of firms. Others kept to a single line of business. Entrepreneurship can be difficult to maintain in subsequent generations. On the other hand, managing new investments and risks can be learnt and lessons be harnessed over time, depending on how they are managed.

In family firms, the executive power rests with a family member in the first generation. The founder often appoints an heir to take over. In subsequent generations, it may be difficult to choose among several heirs and how succession is managed is one aspect of governance. In some cultures, such as Japan, it is customary that the oldest son takes over; primogeniture is the norm.[168] In others such as China, inheritance is to be divided equally among siblings. Some family firms, such as the Lopez family group in the Philippines, argue that it is the *primus inter pares*, the first among equals, who should take over the leadership role.[169] Management scholars have found that well-governed family firms that succeed across generations make clear plans and rules for both succession and the appointment of external managers.[170]

This paper focuses on governance and how three family business groups have managed to prosper through revolutions, wars, independence and martial law, in addition to periods of high growth as well as crisis years. These groups have been chosen since they are among the largest family business groups in the Philippines. They have been in business for more than a century and are now run by the fourth, sixth and seventh generation respectively. They have thus passed the critical the three generation mark. They have a strong base in a core industry, but have diversified over the years. They are the Ayala group with a base in real estate and financial services, the Aboitiz group with a base in shipping and power, and the Lopez group with a base in media and energy. The paper analyses governance in these groups from a theoretical perspective and finds that while they have slightly different governance models, they all have longevity as a goal and a measure of performance.

Concluding Discussion

This thesis poses several questions regarding family business groups in the Philippines and does so from different perspectives. The four papers together cover a period of almost two centuries, and this long-term perspective challenges some of the literature on family firms. Studies of family business groups from a financing perspective or governance perspective often focus on short-time periods. The explanations that are generally put forward may not hold in the longer term. The argument that newly industrialised countries,

[168] Morikawa (2001).

[169] Author interview with Oscar M. Lopez.

[170] See for example Gavino et al. (2001).

which are often also newly independent, will have weak or absent institutions has strong support from panel data studies and some country studies that focus on a certain time period in the late twentieth century. The Philippines, with its century-old formal institutions and more than century-old family business groups, challenges this view and in some sense is a riddle.

The core formal institution is property rights. In contemporary research, minority shareholder rights is the proxy that is used to determine whether property rights are weak or strong. Countries with weak property rights have more concentrated ownership and more large family firms. Weak property rights are thus said to be one reason why ownership is kept in the family. Minority shareholder rights, however, are valid as a proxy as long as there are minority shareholders and then for listed firms. Over time, though, it make more sense to use a different proxy. Property rights, as illustrated by land ownership, are more useful to study over time to evaluate formal institutions. Land rights are strong in the Philippines, as evidenced by the repeated land reforms that have not achieved the objective of breaking up large landholdings. The reasons put forth are that landowners have had influential political positions and that the reforms in themselves are too complex and contain too many provisions that ultimately hinder effective reform. The judicial system is cited as slow and costly for farmers to use, and therefore they may be reluctant to initiate a judicial process. The result illustrates that strong property rights have many consequences and point to a paradox in the literature where weak property rights are cited as one reason why family firms persist.

The main formal institutions in the Philippines are old, as are family firms. The martial law years (1972–81) brought great uncertainty regarding property rights, both through an attempted land reform and the take-over of corporations. The new 1987 Constitution partly aimed to ensure that institutions should be stronger. The martial law years were detrimental to the Philippine economy and to ownership of certain businesses that were confiscated or shut down. A new land reform was launched during the Marcos years, but the objectives were not achieved this time either. Ownership of land enjoys strong legal protection throughout the studied time period. Formal institutions have certainly influenced the business activities of family business groups, but seem to have less influence regarding ownership. The more constant institution over time is the informal institution of family and the ties that bind. Strong families and strong family values in society contribute to reinforce the role of the family. Keeping the business in the family may also be a case of path dependence. It is an organisational model that has worked well for decades, and there is thus little incentive to change as long as there are able and willing heirs that can manage and the business is profitable. The Philippine case illustrates that the predominance of family business groups is the result of many complex factors.

When a firm is founded, it relies on savings and possibly loans from family members, relatives or friends or a combination of these. When capital is needed for an expansion, the firm can utilise any retained earnings or borrow again from family. At some point in time, external sources may be needed, and the formal sources of funding become important. Banks and other financial institutions develop in different ways. In some countries, the government drives the process from above to ensure that there is funding for industrial development. In others, the process is driven more from below by demand from industry. In the Philippines, it was neither in the nineteenth century when the government in Spain authorised only one bank. The formal sources of finance were mainly directed at the export business and came from abroad. The arrival of the Americans changed that, but their efforts to promote private banks became a tale of government involvement, and the end result was poorly performing banks. Family firms that were not reliant on external funds continued to prosper regardless. The formal banking system certainly stimulated investments, but was not crucial for entrepreneurs.

The paper on capital markets studied financing trends among listed family business groups in the Philippines and how these have changed following the Asian financial crisis. Even if the Philippines was not one of the core crisis countries, a range of financial sector reforms were implemented in the years following the crisis, just like in South Korea, Thailand and Indonesia. There was a vision to develop the capital markets, and efforts were made from the public and private sector to establish rules and regulations and to set up the necessary infrastructure. Macroeconomic developments contributed to facilitate the development of local currency corporate debt market in the early 2000s. While the corporate debt market is small, it still marks a significant development and provides more financing options for local firms. Bonds also allow family business groups to raise long-term local currency financing without diluting ownership. The paper indicates that family business groups can benefit from more developed capital markets, and there is no inherent contradiction between capital markets and concentrated ownership.

The governance of the three business groups studied here shows that although they have over the years opted for different governance models, they have similar corporate structures that ensures family ownership and control. From that base, they have acted differently. The Ayala group has a long tradition of building and harnessing human resources. They opened up to external managers, put a lot of effort into recruitment and training to instil skills, and top executive positions are not reserved for family members. This has proven to attract ambitious professionals who aspire to become managers and ensured that there is a pool of experienced professionals in the group. The Aboitiz group has opted to promote more family members, through a meritocratic system, but also builds on cumulative knowledge and the effective utilisation of human resources. The Lopez group, which lost and regained part of their business, has instituted training programmes as well to develop and harness resources. The groups' human resource management probably contributes to minimize potential principal-agent conflicts. Over the years, all three groups have built systems to separate business matters and family matters that aim to ensure that all strategy discussion and potential family disputes are discussed and resolved outside of the boardroom. Separating family matters from business matters is essential to governance and longevity.

This long-term study of family business groups in the Philippines shows that family firms are not a transient phenomenon. They have been a mainstay of industry and commerce through the period of early industrialisation, as well as through the period following full independence and high growth and into the twenty-first century. They continue to prosper and develop new products and services; they utilise the capital market, adapt to the changing environment and they remain family firms.

References

Philippine Legal Documents

Codigo de Commercio of 1888
The 1935 Constitution of the Philippines
The 1987 Constitution of the Philippines
The Philippine Organic Act of 1902
Act No 926 – commonly known as the Public Land Act 0f 1902.
Act No 1459 – commonly known as The Corporation Act of 1906.
The Bookkeeping Law
Commonwealth Act No 83, Securities Act of 1932
Republic Act 426, Import Control Act of 1950
Republic Act 1180, Retail Nationalization Law of 1954

American Legal Documents

The Payne-Aldrich Tariff Act of 1909
The Underwood-Simmons Tariff Act of 1913
The Tydings-McDuffie Act or the Philippine Commonwealth and Independence Act of 1934
The Bell Trade Act of 1946, law no 371, 79th Congress
The Rehabilitation Act of 1946, law no 370, 79th Congress
The Laurel Langley Agreement of 1954, an amendment to the Bell Trade Act

Other Official Documents

Report of the Philippine Commission annual from 1899 to 1917, Washington D.C: Government Printing Office
Annual Report of the Governor-General of the Philippines annual from 1921–1935, Washington D.C: Government Printing Office

Statistical Sources

Asian Development Bank, Manila, Philippines, key economic indicators database, www.adb.org/data/sdbs
International Monetary Fund, Washington D.C., Country statistics, International Financial Statistics database, http://data.imf.org/?sk=7CB6619C-CF87-48DC-9443-2973E161ABEB
National Statistical Coordination Board, Revised/Rebased Annual National Accounts Linked Series 1946–2012, http://www.nscb.gov.ph/sna/DataCharts.asp
Philippine Statistical Authority, Manila, Philippines, Business survey 2008
National Statistical Coordination Board, Manila, Philippines, Business survey 2008

Philippine Census 1903 (1905), vol. 1–4, Washington D.C.: Government Printing Bureau
Philippine census 1918 (1921), vol. 1–4, Washington D.C.: Government Printing Bureau
UNCTAD, Geneva, Switzerland, foreign direct investments data http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740
World Bank, Washington D.C., world development indicators http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators
Maddison, Angus, (2991) *The World Economy: A Millennial Perspective* Paris:OECD

Literature

Alvarez, Pedro (1973), *The Story of Aboitiz & Company Inc. and the Men Behind It*. Cebu: Aboitiz & Co.
Amsden, Alice H. (1979), "Taiwan's Economic History: A Case of Etatisme and a Challenge to Dependency Theory." *Modern China* 5 (3): 341–379.
Amsden, Alice H. (1989), *Asia's next giant: South Korea and late industrialization*. Oxford; New York: Oxford University Press.
Amsden, Alice H. (1994), "Why isn't the whole world experimenting with the East Asian model to develop?: Review of the East Asian miracle." *World Development* 22 (4): 627–633.
Anderson, Ronald C. & Reeb, David M. (2003), "Founding-Family Ownership and Firm Performance: Evidence from the S&P 500." *The Journal of Finance* 58 (3): 1301–1328.
Aoki, Masahiko & Dore, Ronald Philip (1994), *The Japanese firm: the sources of competitive strength*. Oxford: Oxford University Press.
Aoki, Masahiko & Patrick, Hugh T. (1994), *The Japanese Main Bank System: its Relevance for Developing and Transforming Economies*. Oxford: Oxford University Press.
Aquino, Belinda (1999), *Politics of Plunder: the Philippines Under Marcos*. Manila: University of the Philippines.
Baker, C. & Phongpaichit, P. (2005), *A History of Thailand*. Cambridge: Cambridge University Press.
Balisacan, A. M. et al. (2003), *The Philippine economy: development, policies, and challenges*. Oxford; New York: Oxford University Press.
Bank, World (1993), *The East Asian Miracle: Economic Growth and Public Policy*. Oxford: Oxford Univ. Press for the World Bank.
Barrows, David P. (1903), *History of the Philippines*. New York: World Book Company.
Bautista, R.M & Power J.H (1979), *Industrial promotion policies in the Philippines*. Manila: Philippine Institute of Development Studies.
Beck, T. (2002), "Industry growth and capital allocation: does having a market- or bank-based system matter?" *Journal of Financial Economics* 64 (2): 147–180.
Beck. T. Demirguc-Kunt, A, & R. Levine, "Law, Endowments and Finance", *Journal of Financial Economics,* 70: 137–181.

Bello, Walden et al. (2004), *The Anti-Developmental State*. Manila: University of the Philippines.

Benitez, Conrado (1942), *History of the Philippines: Economic, Social, Cultural*. Boston: Ginn.

Bowring, John (1859), *A Visit to the Philippine Islands*. London: Smith, Elder & Co.

Brown, Rajeswary Ampalavanar, ed. (1995), *Chinese Business Enterprise in Asia*. London: Routledge.

Browne, George Waldo (1900), *The Pearl of the Orient: the Philippine Islands*. Boston: Dana Estates and Company.

Cameron, Rondo E. et al. (1967), *Banking in the early stages of industrialization: a study in comparative economic history*. New York: Oxford University Press.

Cassis, Youssef (1999), *Big business: the European experience in the twentieth century*. Oxford; New York: Oxford University Press.

Casson, Mark (1999), "The economics of the family firm." *Scandinavian Economic History Review* 47 (1): 10–23.

Chandler, Alfred D. (1984), "The Emergence of Managerial Capitalism." *The Business History Review* 58 (4): 473–503.

Chandler, Alfred D. (1990), *Strategy and structure: chapters in the history of the industrial enterprise*. Cambridge, Mass: MIT.

Chandler, Alfred D. & Hikino, Takashi (1994), *Scale and scope: the dynamics of industrial capitalism*. Cambridge, Mass: Belknap Press.

Chang, Sea-Jin (2006), "Korean Business Groups: The Financial Crisis and the Restructuring of Chaebols", in Chang, Sea-Jin, ed., *Business Groups in East Asia: Financial Crisis and the Restructuring of Chaebols*. Oxford: Oxford University Press.

Chung, Ci-Nien & Mahmood, Ishtiaq P. (2006), "Taiwanese Business Groups: Steady Growth in Institutional Transition", in Chang, Sea-Jin, ed., *Business Groups in East Asia: Financial Crisis, Restructuring and New Growth*. Oxford: Oxford University Press.

Chung, Hsi-Mei & Chan, Shu-Ting (2012), "Ownership structure, family leadership, and performance of affiliate firms in large family business groups." *Asia Pacific Journal of Management* 29 (2): 303–329.

Claessens, Stijn et al. (1999), Who Controls East Asian Corporations? *Policy Research Working Paper*. Washington D.C., World Bank.

Claessens, Stijn et al. (2000), East Asian Corporations: Heroes or Villains? *World Bank Discussion Paper*. Washington D.C., World Bank. 409.

Colli, Andrea (2003), *The history of family business, 1850–2000*. New York: Cambridge University Press.

Colli, Andrea (2013), "Family firms between risks and opportunities: a literature review." *Socio-economic review* 11 (3): 577–599.

Colli, Andrea & Larsson, Mats (2014), "Family business and business history: an example of comparative." *Business history* 56 (1): 37–53.

Colli, Andrea & Rose, Mary B. (2007), "Family Business", in Jones, Geffrey & Zeitlin, Jonathan, eds., *The Oxford Handbook of Business History*. Oxford: Oxford University Press.

Colpan, Asli M. & Hikino, Takahashi (2010), "Foundations of Business Groups: Towards and Integrated Framework", in Colpan, Asli M. et al, eds., *The Oxford Handbook of Business Groups*. Oxford: Oxford University Press.

Conant, Charles A. (1901), Coinage and Banking in the Philippine Islands. Washington, Government Printing Office.

Corbett, Jenny & Jenkinson, Tim (1997), "How is Investment Financed? A Study of Germany, Japan, the United Kingdom and the United States." *The Manchester School* 65 (S): 69–93.

Corpuz, O.D. (1997), *An economic history of the Philippines* Quezon City: : University of the Philippines,.

Corsetti, Giancarlo et al. (1998), What Caused the Asian Currency and Financial Crisis?, *Working Papers No 6833*. Cambridge, Mass.: National Bureau of Economic Research

Crouch, Harold (1985), Philippine Development Compared with Other ASEAN Countries. *Economic Change, Stocial Structure and the Political System in Southeast Asia*. Singapore, Institute of Southeast Asian Studies.

Cuaderno, M. (1952), "The Bell Trade Act and the Philippine Economy." *Pacific Affairs* 25 (4): 323–333.

Cuervo-Cazurra, Alvaro (2006), "Business groups and their types." *Asia Pacific Journal of Management* 23 (4): 419–437.

Cumings, Bruce (1984), "The origins and development of the Northeast Asian political economy: industrial sectors, product cycles, and political consequences." *International Organization* 38 (1): 1–40.

de Borja, Marciano R. (2005), *Basques in the Philippines*. Reno: University of Nevada Press.

de Dios, Emmanuel and Pual D. Hutchroft, "Political Ecnomy, in Balisacan, A. M.,and H. Hill (eds) (2003), *The Philippine economy: development, policies, and challenges*. Oxford; New York: Oxford University Press.

de Jesus, Ed. C. & Alfred W. Mc Coy, eds. (1982), *Philippine Social History: Global Trade and Local Transformation*. Manila: Ateneo de Manila University Press.

de Mas, Sinibaldo (1842), *Informe sobre el estado de las islas Filipinas en 1842*. Madrid.

de Vries, Manfred F. R. Ke (1993), "The Dynamics of Family Controlled Firms: The Good and the Bad News." *Organizational Dynamics* 21 (3): 59–71.

Demirgüç-Kunt, Aslı & Levine, Ross (2004), *Financial structure and economic growth: A cross-country comparison of banks, markets, and development*. CCambridge, MA: MIT Press.

Dieleman, Marleen (2007), *The rhythm of strategy: a corporate biography of the Salim Group of Indonesia*. Amsterdam: Amsterdam University Press.

Dieleman, Marleen & Wladimir M Sachs, (2008), "Coevolution of institutions and corporations in emerging economies: how the Salim Group morphed into an institution of Suharto's crony regime." *Journal of management studies* 45 (7): 1274–1300.

Echauz, Lydia B. (1997), *Henry Sy, Sr*. Manila: De La Salle University Press.

Faccio, Mara & Lang, Larry H. P. (2002), "The ultimate ownership of Western European corporations." *Journal of Financial Economics* 65 (3): 365–395.

Ferguson, Niall (1998), *The house of Rothschild*. New York, N.Y: Penguin.

Fisman, Raymond & Khanna, Tarun (2004), "Facilitating development: the role of business groups." *World Development* 32 (4): 609–628.

Fogel, Kathy (2006), "Oligarchic family control, social economic outcomes, and the quality of government." *Journal of International Business Studies* 37 (5): 603–622.

Fohlin, Caroline (2005), "The History of Corporate Ownership and Control in Germany", in Morack, Randall K., ed., *A History of Corporate Governance Around the World*. Chicago: Chicago University Press.

Francia, Luis B. (2010), *A History of the Philippines: From Indios Bravos to Filipinos*. New York: Overlook Press.

Franks, Julian et al. (2009), Equity Markets and Institutions: the Case of Japan. *RIETI Discussion Paper Series*. Tokyo, Research Institute of Trade, Economy and Industry.

Friend, Theodore (1965), *Between Two Empires: the Ordeal of the Philippines 1929–1946*. New Haven: Yale U.P.

Gavino, Jacinto C. et al. (2001), *Family Corporations in Transition*. Manila: Asian Institute of Management.

Glaeser, Edward & Andrej Shleifer, (2002), "Legal Origins "*Journal of Quarterly Economics,* 117 (4)*:* 1193–1229.

Golay, Frank H. (1960), "Entrepreneurship and Economic Development in the Philippines." *Far Eastern Survey* 29 (6): 81–86.

Golay, Frank H. (1961), *The Philippines: Public Policy and National Economic Development*. Ithaca, N.Y: Cornell University Press.

Gomez, Edmund Terence (2006), "Malaysian Business Groups: The State and Capital Development in the Post-Currency Crisis Period", in Chang, Sea-Jin, ed., *Business Groups in East Asia: Financial Crisis, Restructuring, and New Growth*. Oxford: Oxford University Press.

Greenspan, Alan (1999), Do efficient financial markets mitigate financial crises? *1999 Financial Markets Conference of the Federal Reserve Bank of Atlanta*. Atlanta, GA.

Hall, A.D. (1898), *The Philippines*. New York: Street & Smith.

Hanani, Alberto D. (2006), "Indonesian Business Groups: The Crisis in Progress", in Chang, Sea-Jin, ed., *Business Groups in East Asia: Financial Crisis, Restructuring, and New Growth*. Oxford: Oxford University Press.

Hannah, Leslie (2007), "The 'Divorce' of ownership from control from 1900 onwards: Re-calibrating imagined global trends." *Business History* 49 (4): 404–438.

Hemrit, M. (2011), Beyond the Bamboo Network: the Internationalization Process of Thai Family Business Groups. Stockholm, Stockholm School of Economics. PhD thesis

Holderness, Clifford, (2008); "Do Differences in Legal Protections Explain Differences in Ownership Concentration?", Discussion Paper available at SSRN 1104678

Hooley, Richard (1968), "Long-term Growth of the Philippine Economy 1902–1961." *The Philippine Economic Journal* 7 (3).

Hooley, Richard (2005), "American economic policy in the Philippines, 1902–1940: Exploring a dark age in colonial statistics." *Journal of Asian Economics* 16 (3): 464–488.

Huff, W. G. (1995), "The developmental state, government, and Singapore's economic development since 1960." *World Development* 23 (8): 1421–1438.

Hughes, Helen (1988), *Achieving industrialization in East Asia*. Cambridge: Cambridge University Press.

Ide, Henry C. (1907), "Philippine Problems." *The North American Review* 186 (625): 510–524.

James, Harold (2006), *Family capitalism: Wendels, Haniels, Falcks, and the continental European model*. Cambridge, Mass: Belknap Press of Harvard University Press.

James, William E. et al. (1987), *Asian Development: Economic Success and Policy Lessons*. San Fransisco: International Center for Economic Growth.

Jomo K. S., Lixi, Dong, Venkatesh, Sandhya & Wee, Chong Hui., ed. (2013), *Malaysia@50: Economic Development, Distribution, Disparities* Singapore: World Scientific Publishing Co.

Kemmerer, E. W. (1905), "The Establishment of the Gold Exchange Standard in the Philippines." *The Quarterly Journal of Economics* 19 (4): 585–609.

Khanna, Tarun & Yafeh, Yishay (2007), "Business groups in emerging markets: paragons or parasites?" *Journal of Economic Literature* 45 (2): 331–372.

Khanser, Marites A. , Manila: (2007), *John L. Gokongwei Jr: the Path of Entrepreneurship*. Manila: Ateneo de Manila University Press.

Khanthavit, Anya et al. (2003), Did Families Lose or Gain ccontrol? Thai Firms after the East Asian Financial Crisis.

Klerman, David & Paul D. Mahoney, (2007), "Legal Origin?", *Journal of Comparative Economics,* 35: 278–293.

Kim, Hicheon (2010), "Business Groups in Korea", in Colpan, Asli M. et al, eds., *The Oxford handbook of Business Groups*. Oxford: Oxford University Press.

Krugman, Paul (1994), "The Myth of Asia's Miracle." *Foreign Affairs* 73 (6): 62–79.

Kumar, Rajiv & Debroy, bibek (1999), The Asian Crisis: an Alternative Veiw. *Economic Staff Paper*. Bank, Asian Development, Manila.

Kwon, Jene (1994), "The East Asia challenge to neoclassical orthodoxy." *World Development* 22 (4): 635–644.

La Porta, Rafael et al. (1998), "Law and finance." *Journal of Political Economy* 106 (6): 1113–1155.

LaPorta, Rafael & Lopez-de-Silanes, Florencio (1999), "Corporate ownership around the world." *The Journal of Finance* 54 (2): 471–517

Lacey, Robert (1986), *Ford Inc.: the Men and the Machine*. London: Heinemann.

Lachica, E (1984), *Ayala: the Philippines Oldest Business House*. Makati: Filipino Foundation Inc.

Landes, David S. (1949), "French Entrepreneurship and Industrial Growth in the Nineteenth Century." *The Journal of Economic History* 9 (1): 45–61.

Landes, David S. (2006), *Dynasties – Fortunes and Misfortunes of the World's Great Family Businesses*. New York: Viking.

Langlois, Richard, N. (2007), "Economic Institutions and the Boundaries of Business Groups", in Colpan, Asli M. et al, eds., *The Oxford Handbook of Business Groups*. Oxford: Oxford University Press.

LaPorta, Rafael & Lopez-de-Silanes, Florencio (1999), "Corporate ownership around the world." *The Journal of Finance* 54 (2): 471–517.

Larkin, John A. (1993), *Sugar and the Origins of Modern Philippine Society*. Berkeley: University of California Press.

Larsson, Mats et al. (2014), *Det svenska näringslivets historia 1864–2014*. Stockholm; Bromma: Dialogos.

Lazonick, William & O'Sullivan, Mary (1997), "Finance and industrial development: evolution to market control. Part II: Japan and Germany." *Financial History Review* 4 (2): 117–138.

Lee, Kuan Yew (2000), *From Third World to First: the Singapore Story, Memoirs of Lee Kuan Yew*. New York;Great Britain;: HarperBusiness.

Leff, Nathaniel H. (1978), "Industrial Organization and Entrepreneurship in the Developing Countries: The Economic Groups." *Economic Development and Cultural Change* 26 (4): 661–675.

Leff, Nathaniel H. (1979), "'Monopoly Capitalism' and Public Policy in Developing Countries." *Kyklos* 32 (4): 718–738.

Legarda, Benito J (1999), *After the Galleons*. Manila: Ateneo de Manila University Press.

Levine, Ross (2002), *Bank-Based or Market-Based Financial Systems: Which is Better?* Cambridge, Mass. : National Bureau of Economic Research.

Levine, Ross E. (1997), "Financial development and economic growth: views and agenda." *Journal of economic literature* 35 (2): 688–26.

Lim, Linda (1983), "The Myth of the Free Market Economy." *Asian Survey* 23 (6): 752–764.

Lim, Ricardo A. (1996), *The PHINMA Story: the First Forty Years:* Manila: Philippine Management Consultants Inc.

Lindgren, Carl-Johan et al. (2000), Financial Sector Crisis and Restructuring: Lessons from Asia. *Occasional Papers 188*. Washington D.C, International Monetary Fund.

MacMicking, R. (1851), *Recollections of Manilla and the Philippines 1848–1850*. London: Richard Bentley.

Maddison, Angus et al. (2006), *The World Economy*. Paris, France: Development Centre of the Organisation for Economic Co-operation and Development.

Magtibay-Ramos, Nedelyn et al. (2007), An Analysis of the Philippine Business Process Outsourcing Industry. *ADB Economics Working Paper Series*. Manila, ADB. 93.

Manapat, Ricardo (1991), *Some Are Smarter than Others: the History of Marcos Crony Capitalism*. Manila: Aletheia Publications.

Martínez, Jon I. et al. (2007), "Family Ownership and Firm Performance: Evidence From Public Companies in Chile." *Family Business Review* 20 (2): 83–94.

Masulis, R. W. et al. (2011), "Family Business Groups around the World: Financing Advantages, Control Motivations, and Organizational Choices." *Review of Financial Studies* 24 (11): 3556–3600.

Maury, Benjamin (2006), "Family ownership and firm performance: Empirical evidence from Western European corporations." *Journal of Corporate Finance* 12 (2): 321–341.

Mayer, Colin (2009), "A Question of Trust: Historical Lessons for Current Development", in Cimoli M. et al., *Industrial Policy and Development: The Political Economy of Capabilities Accumulation*. Oxford: Oxford University Press.

McCoy, Alfred & de Jesus, Ed. C., eds. (1982), *Philippine Social History*. Manila: Ateneo de Manila University Press.

Mead, Walter Russell (1998), The Real Asian Miracle, Asia Devalued. *New York Times*. New York.

Melin, Leif et al., eds. (2014), *The SAGE Handbook of Family Buisness*. Los Angeles: Sage.

Miller, Danny et al. (2007), "Are family firms really superior performers?" *Journal of Corporate Finance* 13 (5): 829–858.

Miyajima, Hideaki & Kawamoto, Shinya (2010), "Business Groups in Prewar Japan: Historical Formation and Legacy", in Colpan, Asli M. et al, eds., *The Oxford Handbook of Business Groups*. Oxford: Oxford University Press.

Mojares, Resil B. (1998), *Aboitiz Family and Firm in the Philippines*. Cebu: Aboitiz & Co.

Morikawa, Hidemasa (1992), *Zaibatsu: the Rise and Fall of Family Enterprise Groups in Japan*. Tokyo: University of Tokyo Press.

Morikawa, Hidemasa (2001), *A history of top management in Japan: managerial enterprises and family enterprises*. New York: Oxford University Press New York.

Moss Kanter, Rosabeth (1996), "Using Networking for Competitive Advantage: the Lippo Groups of Indonesia and Hong Kong." *Strategy + Business* (4).

Munoz, J. Mark & Welsh, Dianne H. B. (2006), "Outsourcing in the IT industry: The case of the Philippines." *The International Entrepreneurship and Management Journal* 2 (1): 111–123.

Nagano, Yoshiko (2011), The Emergence of a Modern Banking System in the Philippines During the American Period. *Global COE Hi-Stat discussion Paper Series 213*. Tokyo, Hitotsubahsi University.

Nevins, Allan & Hill, Frank Ernest (1954), *Ford: the times, the man, the company*. New York: Scribner's Sons.

North, Douglass C. (1990), *Institutions, institutional change and economic performance*. Cambridge: Cambridge University Press.
Owen, Norman G. (1981), "Abaca in Kabikolan: Prosperity without Progress", in de Jesus, Ed. C. & Mc Coy, Alfred W, eds., *Philippine Social History: Global Trade and Local Transformation*. Manila: Ateneo de Manila University Press.
Overholt, William H. (1986), "The Rise and Fall of Ferdinand Marcos." *Asian Survey* 26 (11): 1137–1163.
Palanca, Ellen H. (1995), " Chinese Business Families in the Philippines Since the 1890s" in Brown, R.A., ed., *Chinese Business Empires in Asia,* London.Routledge
Pangalangan, Raul C. (2001), The Philippine Judicial System. *IDE Asian Law Series*. Tokyo, Institute of Developing Economies.
Perkins, Dwight H. (1994), "There are at least three models of East Asian development." *World Development* 22 (4): 655–661.
Polsiri, Piruna & Wiwattanakantang, Yupana (2006), "Thai Business Groups: Crisis and Restructuring", in Chang, Sea-Jin, ed., *Business Groups in East Asia: Financial Crisis, Restructuring, and New Growth*. Oxford Oxford University Press.
Pomerleano, Michael (1998), Corporate Finance Lessons from the East Asian Crisis. *Viewpoint*. Bank, World. Washington, DC.
Poutziouris, Panikkos et al., eds. (2006), *Handbook of Research on Family Business*. London: Edward Elgar.
Quintos-Gonzales, Ma. Virginia et al. (2009), *Asian Family Corporations: Governance in the 21st Century*. Manila: Asian Institute of Management.
Reingold, Edvin, M. (1999), *Toyota: People, Ideas and the Challenge of the New*. London: Penguin.
Reynolds, Thomas H. & Flores, Arturo A. (1989), *Foreign Law: Current Sources of Codes and Basic Legislation in Jurisdictions of the World.* Littleton, Colo.: Rothman.
Riviera, Temario (1994), *Landlords and Capitalists*. Manila: University of the Philippines Press.
Rodrigo, Raul (2000), *Phoenix: the Saga of the Lopez Family*. Manila: The Eugenio López Foundation Inc.
Rodrik, Dani (2003), *In search of prosperity: analytic narratives on economic growth*. Princeton, N.J: Princeton University Press.
Roman, Francisco L. (2009), "Good Governance and Sound Strategy", in Quintos-Gonzales, Ma Virginia B. et al, eds., *Asian Family Corporations: Governance in the 21st Century*. Manila: Asian Institute of Management.
Salgado, Pedro (1985), *The Philippine Economy: history and analysis*. Manila: R.P Garcia Publishing Company.
Sato, Yuri (1993), "The Salim Group in Indonesia: the Development and Behavior of the Largest Conglomerate in Southeast Asia." *The Developing Economies* 31 (4): 408–41.
Schurman, Jacob G. (1900), "The Philippines." *Yale Law Journal* 9 (5): 215–222.
Schurz, William Lytle (1939), *The Manila Galleon*. New York: Dutton.
Schwarz, Adam (1999), *A Nation in Waiting*. St Leonards: Allen & Unwin.

Shalom, Stephen R. (1980), "Philippine Acceptance of the Bell Trade Act of 1946: A Study of Manipulatory Democracy." *Pacific Historical Review* 49 (3): 499–517.

Sicat, Gerardo P. (2008), "Philippine Economic Nationalism." *The Philippine Reveiw of Economics* 45 (2): 1–44.

Spamann, Holger, (2008), "Law and Finance Revisited", Discussion Paper No. 12, Harvard Law School, John M. Olin Center for Law, Economics and Business Fellows Discussion Paper Series

Stanley, Peter W. (1974), *A nation in the making: the Philippines and the United States, 1899–1921*. Cambridge, Mass: Harvard U.P.

Suehiro, Akira (1993), "Family Business Reassessed: Corporate Structure and Late-starting Industrialization in Thailand." *Developing Economies* 31 (4): 378–407.

Tate, C. Neal, (1994) "The Judicialization of Politics in the Philippines", *International Political Science Review* 15 (2): 187–197.

Ullenhag, Kersti (1993), *Nordic business in the long view: on control and strategy in structural change*. London: Cass.

Wade, Robert (1990), *Governing the Market: Economic Theory and the Role of Government in East Asian industrialization*. Princeton N.J: Princeton University Press.

Waildersak, N. & Suehiro, A. (2010), "Business Groups in Thailand", in Colpan, Asli M. et al, eds., *The Oxford Handbook of Business Groups*. Oxford: Oxford University Press.

Vickers, Adrian (2005), *A History of Mdoern Indonesia*. Cambridge: Cambridge University Press.

Willis, H. Parker (1917), "The Philippine National Bank." *Journal of Political Economy* 25 (5): 409–441.

Wilson, Derek (1988), *Rothschild: A Story of Wealth and Power*. London: Mandarin.

Wise, John (1926), *Centenary of Wise & Co in the Philippines 1826–1926 – John Wise's Account of Life in the Philippine Islands in 1837*. Manila: Wise & Co, Inc.

Vogel, Ezra F. (1991), *The four little dragons: the spread of industrialization in East Asia*. Cambridge, Mass: Harvard Univ. Press.

Wurfel, David (1977), "Martial Law in the Philippines: the Methods of Regime Survival." *Pacific Affairs* 50 (1): 5–30.

Yanagihara, Toru (1994), "Anything new in the miracle report? Yes and no." *World Development* 22 (4): 663–670.

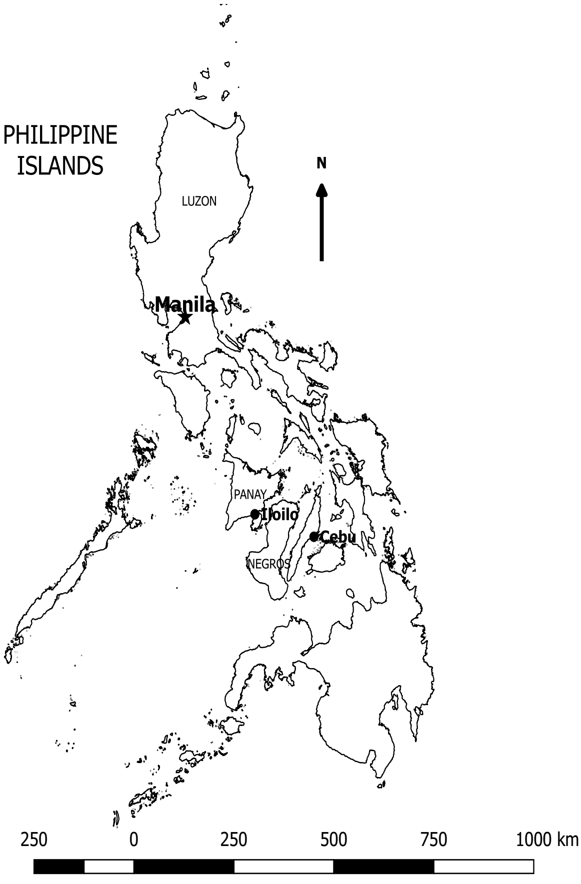
Yoshihara, Kunio (1985), *Philippine industrialization*. Singapore: Oxford University Press.

Yoshihara, Kunio (1988), *The Rise of Ersatz Capitalism in South East Asia*. Singapore: Oxford University Press.

Young, Alwyn (1995), "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience." *The Quarterly Journal of Economics,* 110 (3): 641–680.

Yu, Tony Fu-Lai (1997), *Entrepreneurship and economic development in Hong Kong*. London: Routledge.

Appendix I



PHILIPPINE ISLANDS
N
LUZON
Manila
PANAY
Iloilo
Cebu
NEGROS
250
0
250
500
750
1000 km