

Family Office Day

Exploring investment decisions for Family Offices and Families

INSEAD's 2nd Family Office Day on 9th May 2013

In May INSEAD's Asia campus hosted its 2nd Family Office Day for participants from both local & global family offices and businesses. The event was jointly organized by two of INSEAD's Centres of Excellence - the [Global Private Equity Initiative](#) & the [Wendel International Centre for Family Enterprise](#). The exclusive group of 35 participants enjoyed an array of informational sessions, networking and group discussions followed by cocktails and dinner.



This year's program focused on the Challenges of Exiting Family Businesses, Returns from Private Equity and Investing with a Social Dividend. [Professor Claudia Zeisberger](#), Academic Director INSEAD Global Private Equity Initiative & Affiliate Professor of Decision Sciences and Entrepreneurship and Family Enterprise at INSEAD, opened the event with a welcome note and brief about the initiative.

[Professor Joseph P.H Fan](#), Director at the Institute of Economics & Finance, [Chinese University of Hong Kong](#) started the first session with a talk on challenges of exiting family businesses in China & Hong Kong. In his presentation he operated along family ownership structure and roadblocks (family, market and institutional) as the two key dimensions that frame the discussion on family businesses and explain why exits from a family business are often "slow and painful". He illustrated his argument with an example of the Li & Fung family in Hong Kong. In his presentation he also shared results of his recent research on private equity backed family businesses in China as a conduit for exiting family businesses. He explained his research with a case study on ownership transition for a Chinese firm named Little (Fat) Sheep, a well-known catering business. After introducing private equity, the firm was taken public opening the door to changes in ownership & control which eventually culminated in an acquisition by a foreign company (Yum).

[Professor Morten Bennedsen](#), Academic Director Wendel Centre & Professor in Economics & Political Sciences at INSEAD, continued the discussion on exiting family businesses. In his presentation he stated that business governance & control are some of the key reasons for involuntary exits. He supported his argument by the contrasting examples of Cadbury and Hermes in Europe. He explained that on average only one out of three family firms would have a proper exit plan; this lack of planning was due to changes in family assets and other roadblocks. He described roadblocks as entrepreneurs not wanting to retire, underdeveloped or not shared (with families & successors) exit plans.



The afternoon continued with the topic of Returns from Private Equity - Investing as a Family Office, presented by Professor Claudia Zeisberger & [Michael Prah](#), Executive Director Global Private Equity Initiative. In their session they shared that while only 5% of the global private equity assets are from family offices they are however the largest allocator to the asset class with on average 25% of their total assets invested in private equity. After presenting a summary on the latest thinking around returns, volatility and disparity the discussion moved on to the more practical elements of Private Equity investing such as portfolio construction and manager selection. The audience experimented with their individual biases by trying to create a synthetic portfolio from a number of Asian fund managers.



Later on participants split into groups to brainstorm on challenges that family offices face either in Direct Investment or in Fund Investment. Given the experience of the participants the discussions proved lively and the insights were manifold.

Following up on that theme [Nick Nash](#), Principal at [General Atlantic](#), spoke on developing a family investment strategy and identified key considerations. He discussed how General Atlantic partners with family businesses for growth investing, with family offices as its predominant source of funding and with its community of more than 200 historical investee companies in creating a strong network.

The last module of the day - Investing with a Social Dividend, started with [Vivian Claire Liew](#), founder [Philanthropy Works](#), describing the concept of Venture Philanthropy. She outlined how in this area of philanthropy techniques from venture capital are used to improve the efficiency of the initiatives. Her example of [Project Audacious Hope](#) - a project initiated by Philanthropy Works to improve livelihood for minorities in Pakistan - illustrated how goals were set, supporters mobilized and KPIs set to monitor and track the success of the project.

The next speaker for this session was [Ian Potter](#), Distinguished Fellow at the Global Private Equity Initiative, who spoke on Impact Investing. In his key note he described this emerging strategy and what shortcomings, such as small average deal size, missing fit with traditional asset allocation framework and the challenge of measuring the dual bottom line, currently limit its institutional adoption.

Last speaker of the evening was [Aman Lakhney](#), Director [Abraaj Capital](#), who took the floor to give his synopsis on Corporate Social Responsibility (CSR) and the role/vision of Abraaj on ESG and CSR. He shared with the participants how some of Abraaj Capital's projects had been developed to take CSR into account. Most impressive the [KESC Project](#) (Karachi Electricity Supply Corporation), a vertically integrated power utility in Karachi, Pakistan, that supplies and distributes electricity to this city of 20million. Abraaj was given full management control of the company to implement a turn-around and growth plan. In addition to large improvements in the energy development and operations, most notably a closing of the large demand-supply gap (in itself a strong positive impact on the community) strong focus was placed on health & safety measures and community and social development. The latter included providing uninterrupted power supply to 16 hospitals in Karachi, a massive flood relief campaign providing humanitarian aid to 30,000 displaced individuals or the installation of 4 water purification plants providing clean drinking water. All these activities allowed for a multi-party ecosystem buy-in allowing the company to turn to its first profit in 17 years and the highest in its history.



After the sessions, first time visitors to INSEAD among the participants were given a tour of the [INSEAD Asia campus](#). The campus is situated in the city's knowledge hub; rich in technology, science & research. Several participants were surprised by the scale of the operations (there are between 400 and 500 students on campus at any time and several thousand executives over the course of the year) especially given INSEAD opened its campus in Singapore only 12 years ago. The campus is currently undergoing its second major expansion adding 50% capacity to its current footprint.

The day ended with cocktails and dinner at a restaurant in close vicinity. The participants shared positive notes/feedback on the event and suggested topics for future events (e.g. fund manager selection, setting up a family office). After the continued success of the event, GPEI has decided to host the event twice a year

alternating between Asia & Europe. Please send us an [email](#) to be a part of the invite list or to receive more information on our activities.