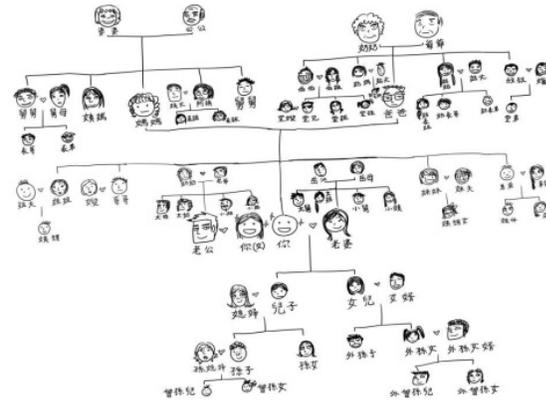


# Governance & Strategy for Business Resilience

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# Volatility and Business Resilience

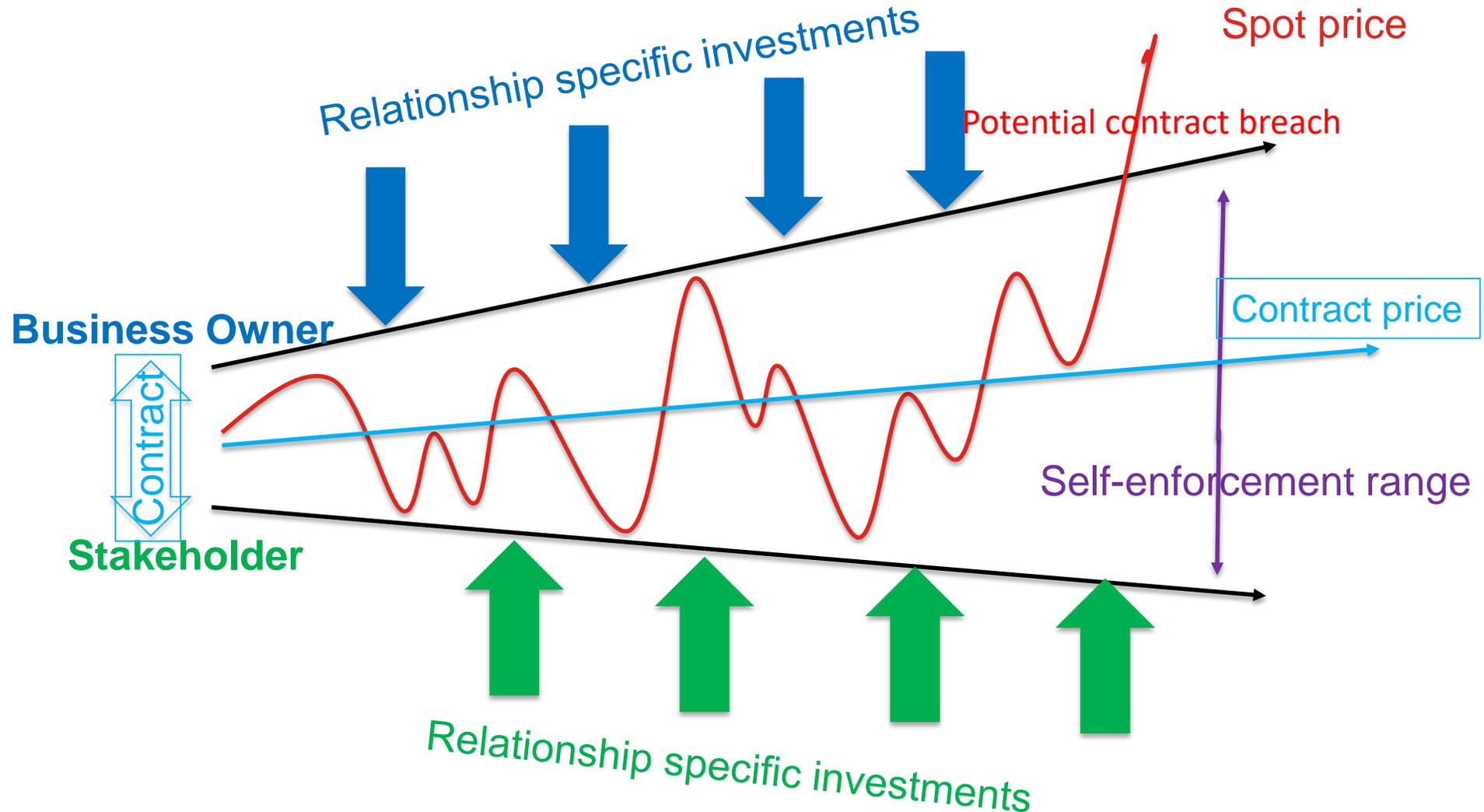
- **Resilience:** business continuity subject to environmental volatility (both downside and upside)
- Sources of **volatility:**
  - External: demand/supply shocks
  - Internal: stakeholder conflicts, poor business decisions

# Volatility and Business Resilience

- **Strategy choices for business continuity under uncertainty**
  - **Market-based:** Responding to volatility by **adopting new technology and/or quick factor adjustments**, supported by business standardization and deep factor markets
  - **Relationship-based:** cultivating durable relationships with key stakeholders; expanding **contract self-enforcement range** by making **relationship-specific investments**, such as family governance, protecting employees, tolerating short-term volatility with suppliers/customers
  - **Examples:** Employment decisions under Covid-19 pandemic, e.g., Toraya (Japan) and Silks Hotel Group (Taiwan) versus Marriott (USA) and **Maersk** (Denmark)

# Relational Contracting for Business Resilience

(Klein, Crawford, Alchian, 1978; Williamson, 1979)



# Strategy and Governance for Business Resilience in Emerging Markets

- **Goal:** pursuing sustainable growth and business continuity
- **Values:** business continuity above personal interests
- **Strategies:**
  - Building core competency while being independent from rent-seeking
  - Accumulating relationship-specific assets with key stakeholders while avoid extreme volatility inducing decisions

# Strategy and Governance for Business Resilience in Emerging Markets

- **Financing:** conservative capital structure, balancing control and equity financing, and avoid debt-overhang
- **Investment:**
  - Forward looking (20 years), staying focused, avoiding speculative / unrelated diversification
  - Conservative in normal periods: multiple small investments
  - More active in recession periods: Expanding while competitors retreating

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- Joseph Fan is Professor of School of Accountancy and Department of Finance of The Chinese University of Hong Kong (CUHK). He received Ph.D. in Finance from the Katz Graduate School of Business of the University of Pittsburgh. Before joining CUHK, he has taught in University of Hong Kong and Hong Kong University of Science and Technology.
- Professor Fan is a world leading expert and one of the most cited researchers in finance and governance of emerging market corporations (almost 19,000 citations in Google Scholar as of February 2021). His research topics cover organizational pyramids, finance, and governance of Chinese SOEs, and succession, marriage, ownership structure and governance of business families and family firms in Asia and China. He has published his research works in top academic journals. He is on the editorial board of several international journals, including *Journal of Corporate Finance* and *Management Science*.
- Professor Fan is a co-author of *The Family Business Map* and several other books about family business governance and succession. His insights have been frequently cited by global business press, including *The Economist*, *New York Times*, *Wall Street Journal*, and *Financial Times*.
- Professor Fan teaches executive courses and serves as a family governance and succession planning consultant for Asian family businesses, and a corporate governance expert for international organizations including OECD and the World Bank. He is married with two Children.