

The Hong Kong University of Science and Technology

**Tanoto Center for Asian Family Business and  
Entrepreneurship Studies**

**Seminar on**

# **Preserving Family Wealth Across Generations**

**Hong Kong**

**12 March 2015**



Tanoto Center for Asian Family Business and  
Entrepreneurship Studies  
陳江和亞洲家族企業與創業研究中心

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## Organizer

**The Tanoto Center for Asian Family Business and Entrepreneurship Studies** at the Hong Kong University of Science and Technology is a leading research center in the burgeoning field of Asian family business and entrepreneurship studies. It aims to bridge the knowledge gap between academics and practitioners as well as policymakers in all of its programs and activities. Recognizing the multi-disciplinary nature of the field of family business and entrepreneurship, the Center collaborates with various departments at HKUST and institutions around the world to organize academic and industry symposiums and roundtable events, conduct and publish top-quality academic research and articles in leading journals and newspapers, provide both tailor-made and open-enrollment training programs, write and teach cases on Asian family businesses and entrepreneurship. More information may be found at <http://www.afbes.ust.hk/>.



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## Exclusive Sponsor

**Cambridge Associates** is a provider of investment services to institutional investors and private clients worldwide, offering a range of services, including investment consulting and discretionary investment solutions. Cambridge Associates currently serves over 200 private clients and family offices with portfolio assets ranging from under US\$100 million to in excess of US\$4 billion. They began working with private clients more than 30 years ago, and today, private clients and family offices represent more than 20% of their client base and are the fastest growing segment of their practice.

Cambridge Associates was formed in 1973 to provide investment research and consulting services to a group of major university endowments in the United States. The firm grew out of a project undertaken for Harvard University to conduct a comprehensive review of Harvard's approach to the investment of its endowment. Upon completion of the project, the firm was hired by other major university endowments to provide asset class research. With the globalization of their investment approach and client base, they now have eight office locations worldwide. In Asia, Cambridge Associates serves a regional client base, comprising institutions and families based in China, Hong Kong, Korea, Malaysia, Singapore and Thailand. More information may be found at <https://www.cambridgeassociates.com/>



## Program Schedule

### Seminar on Preserving Family Wealth Across Generations

- Date:** Thursday, 12 March 2015
- Venue:** Harbour View Ballroom I  
Level 4, Four Seasons Hotel Hong Kong  
8 Finance Street, Central, Hong Kong
- 9.00am – 9.30am:** **Registration**
- 9.30am – 9.45am:** **Welcoming Remarks**  
Prof. Roger King, HKUST
- 9.45am – 10.15am:** **Family Office: The Glue that Keeps the Family Together**  
Prof. Winnie Peng, HKUST
- 10.15am – 10.45am:** **Investment Governance for Families: Lessons Learnt from Advising Over 200 Family Portfolios**  
Ms. Sandra Urie, Chairman & CEO, Cambridge Associates
- 10.45am – 11.00am:** **Coffee Break**
- 11.00am – 12.00pm:** **Panel Discussion: Family Investment Governance: Practitioners' Perspectives**  
*Moderator:* Prof. Roger King, HKUST  
*Panelists:*  
Mr. James Chen, Chairman, Wahum Group Holdings  
Mr. Robert Dorfman, Chairman, Herald Holdings Ltd  
Mr. Geoffrey King, Partner, Violet Hill Partners Limited  
Mr. Eddy Lee, Director, Lee Kum Kee Company Ltd
- 12.00pm – 12.15pm:** **Wrap-up and Closing Remarks**  
Prof. Roger King, HKUST
- 12.15pm – 12.30pm:** **Break**
- 12.30pm – 2.00pm:** **Lunch**

## Family Office: The Glue that Keeps the Family Together

*Speaker:*

**Prof. Winnie Peng, Associate Director, HKUST Tanoto Center for Asian Family Business & Entrepreneurship Studies**



What do wealth creators or business founders care about most? There are three desires that top in their list, especially for Asians: 1. Preservation of wealth for future generations; 2. Preservation of harmony amongst descendants; and 3. Preservation of family name, legacy, values and social capital. Family is always on top of business in the mind of wealth creators. While family business is in fact the glue to keep the family together in the early days, statistics showed that only 30% of family businesses survive to the second generation, 10% to the third generation. What else can keep the family together as it moves to future generations? Prof. Winnie Peng from HKUST introduced the roles that a family office can play in the Asian context.

### **A more desirable definition of family offices**

Introduction of family offices could fit some of the desires that arise from family businesses worldwide. Originated from the West and well developed in Western countries especially in the United States, family offices have been oftentimes considered as a vehicle that manages investments and trusts of a family. Peng raised a more desirable definition of family office: an organization that assumes day-to-day administration and management of family affairs, with a focus on preserving family wealth, family legacy and sustainability.

**Family office: an organization that assumes day-to-day administration and management of family affairs, with a focus on preserving family wealth, family legacy and sustainability**

## The Glue – roles of a family office

Roles of family offices are diversified based on types of solutions they provide. Peng explained that to serve as the glue to keep the family together, there are several key functions that a single family office can play. For the purpose of wealth preservation, a family office could involve in investment management by talented next generation members or professional managers or in the family trust linking family members and the trustee. Becoming an overseer of the family governance system (which may consist of family constitution, family assembly and family council) could also help the family preserve wealth and harmony. Family philanthropic foundations would allow family members to carry out charitable activities in a structured manner, engaging family members in a meaningful way and reinforcing the family values. Apart from these, family offices could help organize social events and family gatherings for the family, preserving the family harmony.

## Challenges facing family offices in Asia

North America has the highest concentration of high networth individuals (HNWIs) and the highest concentration of family offices. However, there are only about 100 family offices in Asia, and virtually no proper family office service platform is located in China despite of its second highest population of HNWIs after the United States. There is a tremendous growth opportunity by fulfilling the growing demand for family offices in the coming decades. Yet challenges ahead should be well identified and addressed.

Peng mentioned the biggest challenge for family offices in Asia included cultural clash (Eastern cultural philosophy versus Western business ethics and practice; respect on unwritten tradition versus belief in legalistic systems etc). Besides, differences in political environment, capital flow restrictions and legal and tax systems should be noted when introducing family offices into this promising region.

Peng's final suggestion for wealth creators was: plan ahead and start early. Effective planning was mostly done while the family leader was still in control. As family wealth and businesses were passed to succeeding generations, the likelihood of conflicts and divisions would increase dramatically. To keep a family together, there is a need to consider separating family, family business ownership and family business management as early as possible.

**Plan ahead and start early. Effective planning was mostly done while the family leader was still in control**

## Investment Governance for Families: Lessons Learnt from Advising Over 200 Family Portfolios

*Speaker:*

**Ms. Sandra Urie, Chairman & CEO, Cambridge Associates**



Why is governance necessary? What benefits can a governance structure provide? A well-defined governance structure provides the family with a decision making framework for directing the future of the family wealth. A governance policy clearly delineates the decision making process and lays a long-term plan for the financial oversight of the family's assets. Ms. Sandra Urie, Chairman and CEO of Cambridge Associates, explained the key considerations for family governance by using typical family governance models applied in three case studies.

### **Key Considerations for Family Governance**

Urie pointed out that family investment groups, which are often multi-generational and sometimes, multi-branch, may face challenges that are nonexistent for many institutional investors. Having a defined governance structure in place could help families develop consensus on a range of issues such as time horizons, individual needs, investment education and sharing power. For example, a properly defined governance structure can help to empower younger generations to take an active role in managing family assets. Ultimately, the families should identify who could participate in the investment decision-making process and in what form. While implementing a family governance structure would not eliminate all conflicts or disagreements, it would provide the family with the appropriate framework to address and resolve present and future challenges. "Governance is a structure or a set of rules that provides a roadmap for organizing a family's decision making. There is no one solution for all families." Urie said.

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## Typical Family Governance Models

Urie introduced six distinct family governance models, which were 1. Patriarch/Matriarch; 2. Family Leaders; 3. Beneficial Interest; 4. Generational Committee; 5. Outside Trustee; and 6. Institutional Family Investing (see Exhibit 1 below). Given that no families are the same, Urie mentioned it was difficult to assess whether one model was more appropriate than the others. No family can “afford” to ignore the essential issue of governance related to investment and spending policy. A vital element of all governance planning was not only a selection of model appropriate for today, but also for future. “Deciding who makes the investment decisions is an intensely personal matter and what is appropriate for one family may not be for others. An informed approach to family investment governance is among the chief issues for families to address. Recognizing the benefits and limitations of other families’ governance structures is the first step toward developing a decision-making policy of one’s own.”

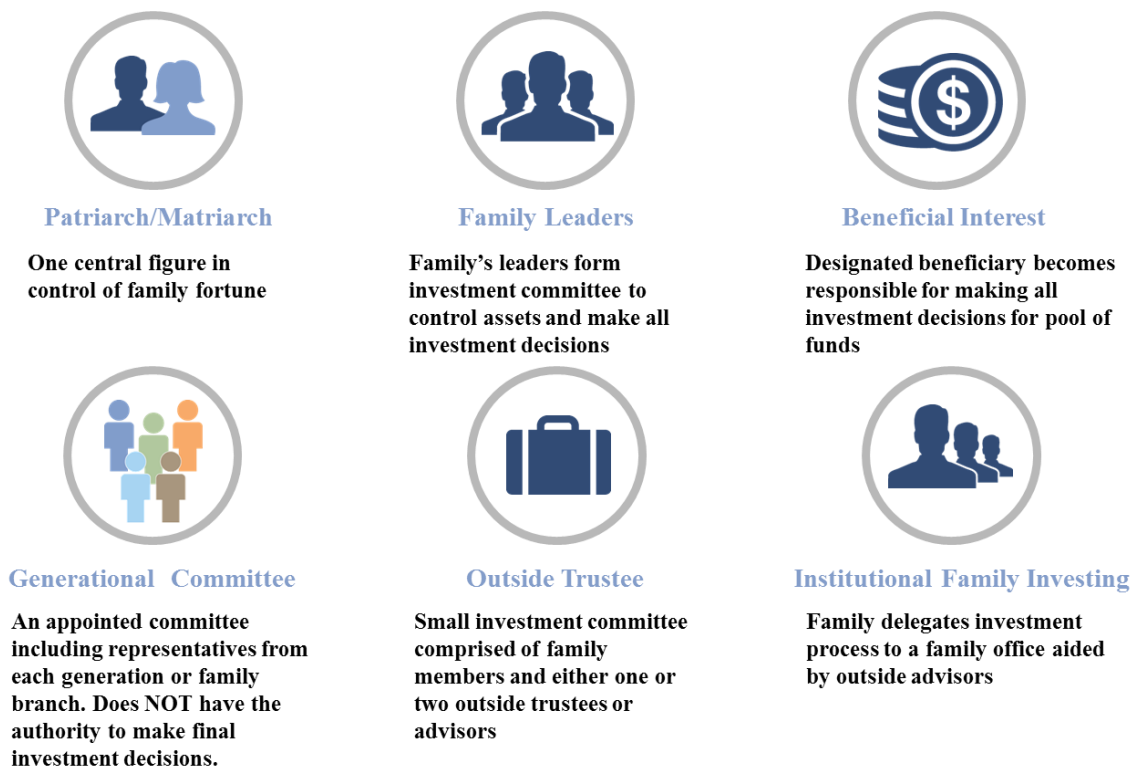


Exhibit 1. Typical Family Governance Models

## Using Models to Address Investment Issues

Urie went through three case studies in which governance models helped the families address typical conflicts occurred in their expanding stage. In the first case, the establishment of a series of investment pools helped a multi-generational family meet individual goals and shared decision making authority. The model allowed the family to achieve scale but also allowed for flexibility among the generations. The second case dealt with emotional connection with reactive short-term decision making by introducing an outside trustee model. In this case, the family gained valuable investment insights and grasped investment opportunities in a timely manner. The last case addressed the most popular issue among family businesses nowadays: the involvement of younger generations to ensure a proper succession plan of the family wealth. Urie said that by setting up multiple trusts for their children and actively soliciting their ideas and opinions on investment issues surrounding these asset pools, younger generations of the family showed a greater interest in attending the family investment meetings with true and valid voice.



## Panel Discussion: Family Investment Governance: Practitioners' Perspectives

### *Panelists:*

**Mr. James Chen, Chairman, Wahum Group Holdings**

**Mr. Robert Dorfman, Chairman, Herald Holdings Ltd**

**Mr. Geoffrey King, Managing Partner, Violet Hill Partners**

**Mr. Eddy Lee, Director, Lee Kum Kee Company Ltd**

### *Moderator:*

**Prof. Roger King, Director, HKUST Tanoto Center for Asian Family Business & Entrepreneurship Studies**



To put the discussions into perspectives, panelists from different family business backgrounds were invited to share their practices on family governance. The panel focused on how and why families set up family offices and shared some good practices in setting up and running these governance systems and structures.

### **The Consequential Glue**

As a renowned century-old family firm with a celebrating family governance system, Lee Kum Kee had put into place a lot of practices in the family office. Mr. Eddy Lee was proud that family was always what they treasured most, while business was just part of the family. The family office was proficient to serve multiple functions: ownership succession planning, formulating the family constitution, education for next generation members, facilitating family communication, etc. Family issues ran top among all and the family office was “the consequential glue that keeps family alive”. As for the business issues, Lee said, “We divide our work into different areas and each member is in charge of a function. External advisors are sometimes engaged in different subjects.”

Mr. Geoffrey King of Violet Hill Partners started a multi-strategy fund together with his brother. Being part of a family business, King was fortunate to have a family office on top of his own business. The decision making process between the two brothers have been quite informal. Although showing different characters, “My brother and I grew up together and had many years of experience outside, which help in working together. We feel each of us have something to add to the fund. We don’t spend a lot of time debating, as our areas of specialties are different. My brother focuses more on the private equity side and I

am more on the fixed income side.” King further introduced that on Sundays, all families of his generation will get together in his parents' place – a long tradition that keeps the family together.

### The Alternatives

Mr. Robert Dorfman of Herald Holdings Ltd said his family was less concerned about wealth preservation across generations in the past, but as the next generations were less interested in the business, the family started to think of alternative ways to achieve longevity and preserve legacy. The two controlling families at Herald identified the sons of two non-family senior directors, who had the potential to rise through the ranks of the company and become the next generation of leaders in the business. “We are shifting to a family-owned professionally-run business. Holding the family together is important. Good memories are the glue.” Dorfman spent quite a bit of time talking to the sons of the senior managers before they joined, making sure they had true enthusiasm in the business and solid belief that the career paths with Herald would be meaningful for them. “Complete trust is very important. We are extremely careful and prudent. And we are very lucky.”

Mr. James Chen of Wahum Group Holdings inspired the audience to view family offices from a different angle. “We are proud of being a wealth preserver. We view our family office more as a tool. Unlike many families who regard their family offices as a wealth-generating entity, we look at it as a risk management tool. Our next generation members are both assets and risks. The family office is involved to nurture them.” Chen admired the Rockefeller family: each generation of the Rockefellers brought new values to their philanthropy and together it meant something. The Chen family was similar. “We like the idea of giving back to the community and being an integrated member of the society.” By setting up the Chen Yet-Sen Family Foundation, the family moved from charity to philanthropy. “They are different. Charity is about writing checks and giving away money. Philanthropy is to understand social problems and solve them. If you try to engage family members in philanthropy, you have to find someone to do something and try to agree on how to do that.” While family members may not always participate in the business, family philanthropy offered members an alternative to contribute to the family and gain recognition. “It’s also about learning how to compromise and communicate.”



**“Family office is the consequential glue that keeps family alive.” – Eddy Lee**

**“We don’t spend a lot of time debating, as our areas of specialties are different.” – Geoffrey King**

**“Good memories are the glue.” – Robert Dorfman**

**“We are proud of being a wealth preserver. We view our family office more as a tool.” – James Chen**

## Speaker Profiles

### Event Host & Moderator, Family Investment Governance: Practitioners' Perspectives

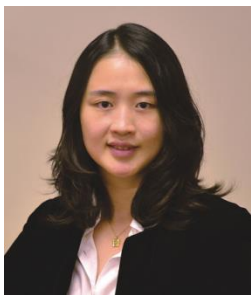


**Roger KING**

*Founder & Director, Tanoto Center in Asian Family Business and Entrepreneurship Studies, HKUST*

Roger KING is Adjunct Professor of Finance and Founder and Director of the Tanoto Center for Asian Family Business and Entrepreneurship Studies and the Thompson Center for Business Case Studies at HKUST. Prof King is a Supervisory Board member of TNT Express NV; Non-Executive Director of Overseas Orient International Ltd and Honorary Consul for the Republic of Latvia in HKSAR. Prof King was Chairman and Founder of ODS System-Pro Computers Ltd; Chairman of Euro-Asia Shipyard Ltd; Chairman of Pacific Coffee Ltd; President and Chief Executive Officer of Sa Sa International Holdings Ltd, and Independent Non-Executive Director of Sincere Watch (Hong Kong) Ltd and Arrow Electronics; and Executive Member of the Zhejiang Province People's Political Consultative Conference. Prof King is a graduate of the University of Michigan, BSEE; New York University, MSEE; Harvard Business School, AMP; and HKUST, PhD (Finance).

### Speaker, Family Office: The Glue that Keeps the Family Together



**Winnie Qian PENG**

*Associate Director, Tanoto Center in Asian Family Business and Entrepreneurship Studies, HKUST*

Winnie Qian PENG is Adjunct Assistant Professor in Finance and Associate Director of the Tanoto Center for Asian Family Business and Entrepreneurship Studies and the Thompson Center for Business Case Studies at HKUST. Prof Peng is also the Founding Committee Member of the Case Center of Association of Asia-Pacific Business Schools (AAPBS), which includes over 140 business schools in Asia-Pacific region. Prof Peng received her Bachelor's degree in Accounting from Tsinghua University, and her PhD degree in Finance from HKUST. She is also a graduate of the Executive Education program "Private Equity and Venture Capital" at Harvard Business School.

### Speaker, Investment Governance for Families: Lessons Learnt from Advising Over 200 Family Portfolios



**Sandra A. URIE**

*Chairman and Chief Executive Officer, Cambridge Associates*

Sandra URIE is Cambridge Associates' Chairman and Chief Executive Officer and has been with the firm since 1985. Prior to assuming the CEO position, Ms Urie was the Chief Operating Officer, responsible for directing the firm's consulting practice. Before joining Cambridge Associates, she worked as a member of the faculty at Phillips Academy (Andover) where she taught Russian language. She was also a member and vice-chair of the Investors' Committee of The U.S. President's Working Group on Financial Markets (2007-2010). She currently serves on the Board of Overseers at Boston Symphony Orchestra, the Board of Overseers at Boston Lyric Opera, Board of Directors at Social Finance, Inc., Stanford Management Company Board of Directors, the Global Board of 100 Women in Hedge Funds as Vice Chair, and the Board of The Plymouth Rock Company. Ms Urie graduated from Stanford University and received an MPPM degree from the Yale School of Organization and Management. She has earned the Chartered Financial Analyst designation.

**Panelists, Family Investment Governance:  
Practitioners' Perspectives**



**James CHEN**  
*Chairman, Wahum Group Holdings*

James CHEN is Chairman of Wahum Group Holdings, a third generation family owned manufacturing business. In addition, he is founder and Managing Director of his family office, Legacy Advisors Ltd, and Co-Chair of his family's venture philanthropy arm, the Chen Yet-Sen Family Foundation (cysff.org), which has a strategic focus on early childhood literacy, library development and education enhancement. Inaugurated in 2003, the Foundation has supported close to 200 initiatives in Mainland China, Hong Kong, and West Africa.



**Robert DORFMAN**  
*Chairman, Herald Holdings Ltd*

Robert DORFMAN is Chairman of Herald Holdings Ltd, a public listed industrial and distribution group quoted on the Hong Kong Stock Exchange. Mr Dorfman is a past Chairman of the Vision 2047 Foundation, a group of long-time Hong Kong residents committed to the future of Hong Kong. He is a Trustee of the Ohel Leah Synagogue Charity and a Member of the Council, Lingnan University. He has also been an active member of the Young Presidents' Organization ("YPO") and its graduate entity, the World Presidents' Organization ("WPO"). From 2011-2012, he served as the Board Chairman of WPO. For his services to YPO-WPO, he was awarded the Hickok Distinguished Service Award, the Organization's highest honour.



**Geoffrey KING**  
*Managing Partner, Violet Hill Partners Limited*

Geoffrey KING is a Managing Partner and Co-founder of Violet Hill Partners Limited based in Hong Kong. Violet Hill is an investment management company focused on value driven total return strategies in equity and debt markets globally. Mr King has extensive experience in public and private market investing with leading regional and global investment firms including PMA Investment Advisors, Trigon Advisers, Bankers Trust Company and Schroder Ventures. He received his Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.



**Eddy W.M. LEE**  
*Director, Lee Kum Kee Company Limited*

Eddy W.M. LEE is the fourth generation of Mr Lee Kum Sheung, founder of the Lee Kum Kee sauce business in 1888. After graduating from the University of California, Davis, in 1980, with a major in Food Science and Technology, Mr Lee joined Lee Kum Kee Company Limited to develop the family business. He served in various senior management positions of the Sauce Group in the past thirty years, and took up the chairmanship of the Lee Kum Kee Sauce Group between 2002 and 2008 to oversee its worldwide operation. He has been serving in his own family's Family Council since 2002, and he has been serving as Chairman of Lee Kum Kee Family Investments Limited since 2009 managing other investments of the family that are not associated with the two core businesses.

Photo Gallery





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