

FAMILY BUSINESS DEBATES

MULTIDIMENSIONAL PERSPECTIVES
ACROSS COUNTRIES, CONTINENTS
AND GEO-POLITICAL FRONTIERS



EDITED BY

OSCAR JAVIER MONTIEL MÉNDEZ
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Family Business Debates

In *Family Business Debates: Multidimensional Perspectives Across Countries, Continents and Geo-political Frontiers* the authors propose an exploratory journey in 18 stages towards one of the founding territories, and paradoxically less studied, of our economic system, the family business. The interaction of two complex systems, such as family and business, is addressed in this very interesting book, which first analyzes this confluence from a philosophical and sociological perspective and then illustrates the development of this business model in various geographies. The result? An essential text for those who want to understand the dynamics of family business, either for academic purposes or as support for their professional practice.

– Alejandro Javier Rosa, Partner in PwC Argentina

This book deepens through the contribution of relevant researchers and academics from around the world, fully reflecting the effort to generate valuable knowledge about a key sector in the current business world. Each chapter involves a crucial and controversial issue of the family business based on reflection, debate, and analysis and covers its idiosyncrasy in different countries, governance, social dimensions, good and bad practices, and the entrepreneurship factor, among other themes.

It includes complexity and an exhaustive coverage of strategies, approaches, actions for those who manage family businesses in today's complex world, or for those who are interested to discuss, learn, and internalize about the subject. The authors have made a unique, contemporary and innovative contribution that will leave its mark on the challenging future of family businesses.

– Fabiana Gadow, CEO of Korn Ferry Argentina

This book has been written mainly by new family business scholars from many different places worldwide and brings a new multidimensional and multicultural research agenda. The main objective is to have a high-quality debate between various stakeholders of the family business ecosystem. Academics will find fascinating insights about doing better research in a challenging environment and give examples of case studies that could bring exciting frameworks to the field. For practitioners, they will find valuable ideas to manage their organization through the complexity of the family firms and therefore survive this fifth

wave. Some of these primary aspects discussed in the book are factors that influence the continuity of the organization, like how to create a good entrepreneur culture, strategies to become a large firm, and how to implement corporate governance in a better way, avoiding bad practices as the concentration of power and corruption. Finally, for policymakers, there are good ideas to endorse family businesses in these new ecosystems. Therefore, I would like to congratulate my colleagues on this initiative that helps our field preserve our family businesses.

– Gonzalo Gómez-Betancourt; PhD, CEO, Legacy & Management Consulting Group and Legacy School of Ownership

Family Business Debate is an exciting journey between the theory of the researcher and the practice of the consultant who works with business families. With innovative, current topics and, in many cases, courageous approaches, the book explores little-known aspects of this type of organization. I know several of the authors of the articles, and I can assure you that, as writers, they have put their best into this work to ensure quality and adequate impact on the reader. If you are looking for multicultural perspectives to guide you in understanding today's family businesses, this book is one of the best choices.

– Guillermo Salazar, Founder of Exaudi Family Business Consulting

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INVESTOR IN PEOPLE

*To the family businesses around the world, who, despite the general lack of real support and recognition from the main actors of our present economical systems, keep going forward to pursue their dreams.
To our families.*

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Preface

Family businesses shape economies, communities, and indeed families themselves. Family businesses exist across countries, continents, and geopolitical boundaries, creating economic and social boundaries, harmony, and conflict, strong business practice, and weak, often reactive practice. The importance of family business is difficult to overstate, both whether viewed through the lens of the individual firm or by considering the families who may support and run several businesses either simultaneously or sequentially. This is the essence of why this book matters.

A dimension of family business that is key to understanding their influence is the heterogeneity of family business. Family businesses vary, ranging from the small corner shops – the “mom and pop stores” – that pepper most major cities – to the international conglomerates that have their roots and their present in family ties. Family businesses vary in philosophy and intent – some aim to become multigenerational businesses, while others aspire to support a family so that the next generation can do something different. Some aim to innovate and develop with each generation, while others aspire to a “heritage business” where tradition appears to be maintained although adaption has quietly happened to facilitate this seemingly traditional appearance. Some, indeed, present the “family business” as a key part of their public appearance, while others are quick to tell the outside world how “professional” their business is, implying that they have left the emotional dimension of the family far behind. Rarely, then, do we find a research field that includes so many businesses with differing hopes, dreams, and aspirations and yet united by a common thread. That common thread – the intersection of the family and the business dimension – determines much business behavior and, vitally, allows us to understand the drivers of business behavior worldwide. By developing the theory that surrounds family business research, we seek to develop our understanding of how and why businesses behave and how they may best be supported. The perspective that family business advisors should focus on the business dimension and remove consideration of the family from their thinking where positive is dated now and we see a more holistic approach to working with and advising families in business and indeed to supporting their businesses. That shift in perspective is in itself a victory and a useful platform for the next stage of research that considers the distinct field of research that focusses on family business advising and family business offices.

The text here includes a variety of perspectives, covering the familial and business challenges but offering the reader insight into the use of capital, be it financial, social, or entrepreneurial, in a family business context. The combined

impact of the research presented here is considerable, but a large part of its strength lies in the variety of perspectives put forward. Neither families nor businesses are one-dimensional, and looking at the challenges where a family and a business or businesses intersect merits a variety of approaches. Different perspectives also offer the chance to inform different areas, be that research, policy, practice or business support. Family businesses matter and building up our evidence-based understanding of how they work, why and how they operate differently, and how they may best be supported offers an opportunity to build better systems and economies and to develop robust underpinnings for the education programs that support them. I commend this book to the readership and congratulate the editors and authors involved.

Professor Claire Seaman
Chair of Enterprise and Family Business
Queen Margaret University, UK

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We would like to acknowledge Claudia Ivette Rodriguez Lucio's contributions to the cover of *Family Business Debates*.

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Part I

Theory

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Chapter 1

Family Business Research: 5th Wave Perspectives

*Oscar Javier Montiel Méndez, Salvatore Tomaselli
and Argentina Soto Maciel*

Abstract

More than three decades support the research on the family business. The progress achieved, beyond the disagreements, is considerable. However, significant changes in the macro and microenvironment, and their influence on the companies lead to rethinking new perspectives. This new research agenda is multidimensional to achieve a deeper understanding of the essence of the family business. The objective is to find axes that allow hold up the family business to overcome new challenges. Renowned authors from all over the world have reflected on this and offered us new and high-quality perspectives to enrich debate and promote research.

Keywords: Family business debates; multidimensional perspectives across countries; continents; geo-political frontiers; research trends; 5th wave perspectives

I change too quickly: my today refutes my yesterday
When I ascend, I often jump over steps,
and no step forgives me that
– Friedrich Nietzsche, “Thus Spoke Zarathustra”

Introduction

Open a research field to new perspectives is supported by numerous literature in diverse fields (Huse et al., 2011; Kessler et al., 1992; Lee-Smith & Stren, 1991; Orazi et al., 2013; Verhoef et al., 2010).

The word “geopolitical” was proposed by geographers in Germany in the late nineteenth century as a contraction of geography and politics. Later, it was associated with Darwinian theses and the inequality of species and races. Theories were taken up by the Hitlerian ideology (Herwig, 1999) and then proscribed to reappear at the end of the 1970s (Lacoste, 2006). It can be used to indicate a perspective or mode of analysis focused on the interrelationships between space, territory, territoriality, and power (Cohen, 2003). Thus, this is the route in which the concept “geopolitical” is framed in this chapter, and the vision we have for this book, not only for the context in which family business operates but within itself. In today’s globalized world, the geopolitical sphere is more important than ever (Munoz, 2013).

Thus, family business, as the context has, could have space (the national context where it is legally based), territory (where it operates, and its stakeholders), territoriality (family business culture, influenced by the family values and organizational culture), and also power (organizational and shareholder structure, as well as the family interrelations, within themselves as individuals/group, but also embedded in the business). Then, following Cohen’s view, a geopolitical structure is defined in terms of its patterns (shape, size, physical/human geographical characteristics, and the networks that tie them together) and “features” (political–geographical nodes, areas, and boundaries that contribute to the family business uniqueness and cohesiveness), that have different degrees of “maturity,” evolving in fact from atomization/undifferentiation to differentiation and then to specialized integration.

Taking into account the present conflicts that are developing throughout the world, where a new order is taking place, the end of globalization and the emergence of strategic political and commercial blocks, where regionalisms and nationalisms approaches permeate, and the financial/monetary system as known is being confronted, the family business cannot be longer see under the traditional academic lens. Now more than ever, opening family business debates, under multidimensional perspectives across countries, continents, and geopolitical frontiers, and given the relevance family businesses have in every national economy nowadays, is unavoidable. In this line, and approaching family businesses from a regional standpoint, Basco et al. (2021) reflect on what role family firms play in regional development, and how different spatial regional contexts shape families from operations and performance.

New perspectives, applying geopolitical theory to family business research, can open a new door to understanding them, under this new wave in world history.

Welcome to its 5th wave.

Family Business Debates: Multidimensional Perspectives

In the family business, calls in this vein on multidimensional perspective have been done before by Sharma et al. (2013).

More recently Rovelli et al. (2021), identified future directions for researching the family business, where among others, change management is a key issue, and

where they asked how do family firms approach crisis differently from nonfamily firms, or how does the presence of a family managing the firm influence the responses to a crisis, or what role do traditions play for family firms in times of crises, and if family firms can be resilient – e.g., consolidating their traditions through innovation – to survive crises and successfully manage the new normal, and if a crisis can be an opportunity for family firms to renovate themselves and improve performance in the long run.

Moreover, [Miller and Le Breton-Miller \(2021\)](#) suggest family business scholars' inquiry on change, evolution, history, and unexplored problems faced by these companies.

On the other hand, [Mueller and Sandoval \(2021\)](#) approach the globalization of some family businesses under a 4th wave allegory, where they describe modern family businesses created by family entrepreneurs, that globalize their business through information technologies, social networks, and megatrends, focusing on Latin America. Clearly, under this vision, you only can inquire and develop theory about just a handful of companies, since the vast majority do not fall in this category. This is not the case for a geopolitical approach, since numerous family businesses (an extraordinarily heterogeneous group) are affected by the newly formed commercial blocks, by sanctions imposed, arbitrarily or not, by governments to specific countries, or primary supplies (gas, wheat, petroleum). The value and logistics chain distortions that occur, have vast ramifications not only constricting those globalized firms. What will be the repercussions? How are they confronting and solving new and unexpected issues that arise from this 5th wave?

Novel Perspectives

Through their vision around the world, different novel and high-quality perspectives propose researchers trigger debate and enhance the understanding of family business. The aim is to identify key trends, and present and future research directions to encourage scholars to research this highly impactful subject.

Based on the above, we thought and meditated on some of the themes included in the book, under an abductive process, that reflects gaps we detect in the family business literature. We feel so much gratitude to our colleagues, for believing in the topics we propose to them and taking the risks involved in them, because of their exploratory nature.

Family Business Dynamics

To understand the essence of the family business, Campbell proposes a philosophical view of its foundation. In this context, the concept of family from a legal perspective starts from the idea of interest and filiation. In consequence, the constitution of this specific group faces diversity, having as a reference the principle of force, the same morals, and ethics. Cultural ties are the foundation of any family business, a life project where everyone fulfills a function within the group

and seeks to contribute to the solution of economic, social, and political problems. In conclusion, the family can be an organic space of motivation that develops a whole experience, liberates experimentation, seeks empowerment, improves participation and involvement, allows collaborative work, and encourages creativity.

To extend and deepen this understanding Pelly and Roberson focus on the influence of the family. They explore the inner workings of a heterotopia frozen in time and space – a small town Family Business. To achieve it, a customized methodology is introduced – the Sadean duography. This approach is beneficial to understanding the hazards if involved are inheriting or purchasing new businesses, and to scholars in entrepreneurship and organizational studies seeking a deeper understanding of the role of heterotopias, also known as third spaces.

At its essence, a family business keeps the secret of its capacity for resilience, but little is known about how it is built and put into operation. Drawing on the upper echelon theory, Wang examines the impact of female leadership on resilience development in Chinese family business. Results suggest that resilience consists of abilities to prepare for, control, adapt to, and absorb change. The evidence further indicates that female-embodied attributes, female-enabled family cohesion, female-empowered governance, and female-characterized resource orchestration led to the development of resilience. Without a doubt, this is a fundamental and rich subject to be explored.

No matter the gender, it is imperative the founder and family approach the future of the FB with responsibility and due diligence. If they wrongly select the FB successor, the chances for the sustainability of the enterprise are at high stake. So, improving the way this process is done can attenuate future repercussions. So, Canales and Montiel suggest that it is vital to know the potential candidates are true entrepreneurs *or* false entrepreneurs. Thus, exploring the differentiation between true and false entrepreneurs seems vital for today's efficient allocation of resources. A theoretical model was proposed, including micro, meso, and macro analytical spheres, adding the behavioral aspects that determine whether a person is a true or false entrepreneur and the effects that can have on the business. Also, a novel view on how to diagnose a real entrepreneur for taking over a family business is proposed, where a novel perspective, clinical history, an approach took it from Medical/Clinical Psychology, might help in the succession process.

Support the Family Business

Different perspectives can be associated with the growth of the family business. Founders have significant influence over many domains within the business, and their impact may be felt even after leadership succession. In this way, Segares makes a scoping review to examine the extent and essence of contemporaneous research activity to outline a research agenda for future study of the founders of the family business. In the recent past, several studies show the interest in the impact of the founder on financial performance, innovation, and the founder's role in the succession process. Nonetheless continued studies from alternative

viewpoints, using updated data are needed, considering qualitative methods, using the internet as both the research environment and a source of data, assuming diverse geographies, and changes in family life and business related to demographic, social, and technological shifts.

An important question concerns the evolution of the small or medium-sized family business to a large corporation with participation in global markets. Almaraz and Vidal make a comparison between Spain and Latin America considering the trajectories of internationalization, organization, and structure of the business. Also, some sectorial aspects and the global situation that have encouraged the expansion of markets, the acquisitions of assets outside the countries of origin, and the outsourcing system were considered. The results argue for a multidimensional perspective between countries is needed to understand the relevance of competitive learning, entrepreneurial vision evolution, and diversity of trajectories between sectors and companies, as well as consider the importance of culture and immigration in business and family development.

To increase the family business' survival rate the interest has been focused on the business subsystem, but recently more attention has been paid to the family one. In this perspective, Hernández-Linares, Díaz-Moriana, and Sanchez-Famoso analyze the paradoxes emerging between the different inter and intragenerational dyads that coexist in the family business (mother-daughter, father-son, mother-son, father-daughter, brother-sister, wife-husband, etc.) to open new lines of debate and propose a new basis for the establishment of family business-targeted public politics. Additionally, the authors insist on the need to pay more attention to the emotional balance and value the knowledge and experience of the founders.

The post-COVID-19 period, a business context that can analyze under an extreme crisis/conflict framework (Canales et al., 2021), represents a major challenge. Caspersz, Stevanoski, and Seet question the ability of family businesses and their families to manage change in the Australian case. The findings indicate the "traditional" challenge of juggling family with business goals. And a trend to consider is that nonfamily business (NFB) plays a significant role in influencing the readiness of the family business to be sustainable. This is in three interrelated key areas: juggling the Socioemotional wealth (SEW) of the family to establish a competent and "fit for purpose" managerial approach for the business that includes NFB; pursuing and implementing necessary innovations (particularly digital innovations) for the business survival that reinforce consideration of the future role of NFB as they stretch the finite capability of the family; and, finally including NFB in ownership succession transitions as a pathway forward to the business' sustainability.

In the growth of the family business, what place occupies the entrepreneurial orientation (EO) in debt financing? Jaiyeola, Wang, and Mahmood analyze this relationship considering its five dimensions: risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy in the case of Nigeria. The results suggest that the entrepreneurial orientation of family businesses seems to play a pivotal role in influencing debt financing. The authors propose an empirically theoretical framework at the intersection of the family business and EO

research. Future research could substantiate the findings using quantitative methods.

From a sociocultural perspective, Mandujano explores cultural and structural attributes furthermore business strategies that can explain the longevity of Japanese family businesses for their capacity to adapt to extreme contexts like wars, structural changes, and national catastrophes or crises. The results highlight the most relevant characteristics found in the literature: the social capital and the relationship of the family business with local communities, and their resilience that combines innovation and a focus on maintaining certain key traditions.

Family Business Complexity

There is a growing interest in how critical perspectives can help us understand family business. Current literature suggests that critical reflection is needed in aspects such as conflict, fear, and emotions. Gregory, Discua, and Jack are interested in fear. Fear conceptualized as both an inhibitor and a motivator for business plays a significant role in the dark side of the family business (DSFB). The review argues that focus on specific tangible resources is limited to explaining how families in business may deal with fear. A critical perspective suggests that three areas merit further attention: fear of failure; effects of failure; and the intersection between entrepreneurial learning and the effects of fear in the DSFB. By contextualizing critical approaches, authors provide insight for researchers, policymakers, and executives of the family business.

Salimath and Orudzheva are interested in two aspects, power and corruption. In consequence, they analyze how power in ownership and control, generations, and governance scale and enable corruption. Three family firms (FF) cases from Latin America, South Africa, and China are concerned. The results suggest lack of objective external evaluation, the ineffectiveness of internal checks, generational issues, family control, and the restricted nature of governance contribute to exacerbating tensions and have a central role in promoting corruption.

The involvement of the controlling families on boards of directors, besides national and/or regional contexts, has been suggested to influence how companies are governed. But the knowledge from developing regions is scarce. Vázquez and Méndez summarize the main findings of boards of directors in FF from Latin America. The results discuss the different challenges and opportunities that owners and boards of directors face. They also suggest that research has a very promising future as it still has to validate and/or contextualize findings in developed regions, overcome some theoretical and empirical limitations, explore some salient characteristics related to the institutional context in-depth, and provide recommendations linking board characteristics and firm performance.

A latent risk for the continuity of the family business is the lack of preparation of its members. But this is of considerable complexity when it is recognized that needs change depending on the characteristics of the business and its members. Which are the family business learning needs? How to ensure adequate training throughout the life, roles, and interests of its members concerning the business?