



Heritage and Legacy in Small Family Firms in Latin America

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Heritage and Legacy in Small Family Firms in Latin America

Abstract

Family businesses in Latin America often have deep roots and play a significant role in the region's economy. The heritage and legacy of small family businesses in Latin America can be understood through several key aspects. One is the historical context; many small family businesses in Latin America have a long history that spans several generations. Another is influenced by the region's rich and diverse cultural heritage. Cultural values, such as a strong sense of family, community, and tradition, can shape the decision-making processes within these businesses, as well as the adaptation to Economic Challenges. At the same time, Latin America has faced economic challenges and fluctuations over the years. Small Family businesses in the region have often demonstrated resilience and adaptability in navigating economic uncertainties. In this Special Issue about Heritage and Legacy in Small Family Firms in Latin America, we have assembled a compilation of articles by researchers who interact closely with business families throughout Latin America. Building on a collaborative research framework involving authors from several countries, this effort accounts for the increasing number of family business studies in Latin America. The authors explore diverse issues and processes within family businesses in the region.

Keywords: family firms, Latin America, heritages, legacy

Patrimoni i llegat a les petites empreses familiars a Amèrica Llatina

Resum

Les empreses familiars a Amèrica Llatina sovint tenen arrels profundes i juguen un paper important en l'economia de la regió. L'herència i el llegat de les petites empreses familiars a Amèrica Llatina es poden entendre a través de diversos aspectes clau. Un és el context històric; moltes petites empreses familiars d'Amèrica Llatina tenen una llarga història que abasta diverses generacions. Un altre està influenciat pel ric i divers patrimoni cultural de la regió. Els valors culturals, com ara un fort sentit de la família, la comunitat i la tradició, poden configurar els processos de presa de decisions dins d'aquestes empreses, així com l'adaptació als reptes econòmics. Al mateix temps, Amèrica Llatina s'ha enfrontat a reptes econòmics i fluctuacions al llarg dels anys. Les petites empreses familiars de la regió sovint han demostrat resiliència i adaptabilitat per navegar per les incerteses econòmiques. En aquest número especial sobre el patrimoni i el llegat a les petites empreses familiars d'Amèrica Llatina, hem reunit una recopilació d'articles d'investigadors que interactuen estretament amb famílies empresarials d'Amèrica Llatina. A partir d'un marc de recerca col·laboratiu que inclou autors de diversos països, aquest esforç explica el nombre creixent d'estudis sobre empreses familiars a Amèrica Llatina. Els autors exploren diversos problemes i processos dins de les empreses familiars de la regió.

Paraules clau: empresa familiar, Amèrica Llatina, patrimoni, herència

Patrimonio y legado en las pequeñas empresas familiares en América Latina

Resumen

Las empresas familiares en América Latina suelen tener raíces profundas y desempeñar un papel importante en la economía de la región. La herencia y el legado de las pequeñas empresas familiares en América Latina se pueden entender a través de varios aspectos clave. Uno es el contexto histórico; muchas pequeñas empresas familiares en América Latina tienen una larga historia que abarca varias generaciones. Otro está influenciado por el rico y diverso patrimonio cultural de la región. Los valores culturales, como un fuerte sentido de familia, comunidad y tradición, pueden moldear los procesos de toma de decisiones dentro de estas empresas, así como la adaptación a los desafíos económicos. Al mismo tiempo, América Latina ha enfrentado desafíos y fluctuaciones económicas a lo largo de los años. Las pequeñas empresas familiares de la región a menudo han demostrado resiliencia y adaptabilidad a la hora de afrontar las incertidumbres económicas. En este número especial sobre patrimonio y legado en las pequeñas empresas familiares en América Latina, hemos reunido una recopilación de artículos de investigadores que interactúan estrechamente con familias empresarias en toda América Latina. Basado en un marco de investigación colaborativo que involucra a autores de varios países, este esfuerzo da cuenta del creciente número de estudios sobre empresas familiares en América Latina. Los autores exploran diversos temas y procesos dentro de las empresas familiares de la región.

Palabras clave: empresa familiar, América Latina, patrimonio, herencia

Introduction

Family businesses have played a significant role for the economy worldwide (Miroshnychenko et al. 2021). Although family businesses are the most common form of business worldwide, most of our knowledge is based on studies, cases and literature from North America and Europe (Poza 2013). Accordingly, many of these findings are not applicable to other regions such as Latin America, since specific contexts may play a role in how family firms behave precisely on account of the effects of the local culture (Gómez-Mejía et al. 2020).

Family businesses are complex social systems involving dimensions such as family control and intrafamily relationships, suggesting that any business activity can affect both family and business (Donnelley 1988; Parada, Müller and Gimeno 2016). Bearing this in mind, this Special Issue is intended to provide a broad and diverse perspective on the topic in the Latin American region.

Latin America extends geographically from Mexico southward to Chile and Argentina, encompassing the islands of the Caribbean. Together, this group of countries constitutes a fast-growing part of the world. Combined, its population exceeds 660 million in 2022, accounting for 8.3% of the world's population. Its diversity is reflected in the industries that each country has been focusing on. For instance, certain regions are the world's leading suppliers of strategic resources, including lithium, iron, copper, and zinc. Others are suppliers in agricultural and livestock produce supply chains and constitute an essential market for manufacturers and trading partners for major players worldwide.

The history of Latin America has been influenced by multiple transformations. Latin America has been dealing with various problems, such as economic inequality, drug trafficking, political instability, and

environmental concerns; despite they are more contemporary issues. Understand the current issues it is essential to note the contribution that various historians have made to the context in which this region finds itself.

Latin American institutional history is a complex network of political, social, and economic events that have shaped the region over centuries. It covers the evolution of various political systems, governments, and institutions in the different countries of Latin America. Since a broad overview of its Colonial Era (1492-1810) and then the independence movements of the early 19th century it spread throughout Latin America at the beginning of the century XIX. Leaders such as Simón Bolívar, José de San Martín, and Miguel Hidalgo played pivotal roles in the liberation of several regions from colonial rule (Cerutti 1983).

But, the fundamental milestone was the construction of newly independent nations that faced the challenge of building stable governments and establishing their institutions. In this context, liberal reforms and conservative reactions were predicted, and despite political independence, many Latin American countries became economically dependent on foreign powers, especially the United States and Europe (Almaraz 2014). This dependence led to unequal power dynamics and social and economic disparities.

At the economic level and since the mid-20th century, the region was characterized by regional protectionism and promoted the development of small national markets (Müller and Sandoval-Arzaga 2021). However, between 1970 and 2000, there was a shift towards international trade. The push towards internationalization also promoted a shift from state-owned enterprises to privatization in many countries (Fernández Pérez and Lluçh 2016). Countries such as Mexico, Colombia, and Chile saw major transformations in their trade

structures. At the same time, other countries in the region shifted from private to state ownership (Lansberg and Perrow 1991). Two examples of this are Venezuela and Ecuador, which moved towards a more socialist government in the early 2000s. These factors have created a fragile, volatile, and constantly changing economic setting.

Economic changes have created an environment of social unrest characterized by ongoing social conflict. Such conflicts have resulted in civil wars that have relocated most of the population into urban settings, with 79% now residing there (Colli and Fernández Pérez 2013). This shift in population location has resulted in increased levels of unemployment, undeveloped infrastructure, and weak educational systems that make the acquisition of skilled workers challenging (Koch et al. 2019). These social issues also manifest in ever-changing political and legal environments that require organizations to continuously adapt to changing government regulations and policies.

The Latin American business environment differs significantly from others in areas such as the limited quality of its formal institutions, especially those related to corruption levels, property rights, and the functioning of the judicial system (Márquez-Ramos, Florensa and Recalde 2015). In fact, Institutional Quality or Rules of the Game (North 1999) is characterized by having an explicit and implicit set of rules that provide a normative focus on how corporations should function. Specifically, this refers to the constraints that shape human interaction and give structure to not only economic but also political and social incentives for exchange. Such rules of the game are uneven in the different areas of Latin America. Mainly applied to the family business and according to Colli and Fernández-Pérez (2020), given that institutions are also based on specific rules of behavior, the cultural dimensions of the family and its historical transformation give rise to

new institutional arrangements that have impacted the structure of the business.

When taken collectively, all of these issues lead to uncertain environments. In these contexts, businesses require adaptive structures. This uncertainty means that family firms require governance structures that differ from other regions of the world (Khanna and Palepu 1997). For instance, political corruption demands structures that allow family firms to have well-trained individuals with negotiating skills and power within the firm to bargain with officials at various levels of the public bureaucracy to facilitate business practice within their industry and country (Müller 2022).

In this Special Issue about Heritage and Legacy in Small Family Firms in Latin America, we have assembled a compilation of articles by researchers who interact closely with business families throughout Latin America. Building on a collaborative research framework involving authors from seven countries, this effort accounts for the increasing number of family business studies in Latin America. The authors explore diverse issues and processes within family businesses in the region.

The authors in this special issue also address the problems of family businesses from different research techniques. For example, some articles address qualitative interviews, and others use quantitative surveys, which can provide a comprehensive view of the dynamics of family businesses. Some of the qualitative articles, such as *The Role of Family Culture on the Transgenerational Transfer in Colombian Family Business and Sustainability in Family and Nonfamily Businesses in the Wine Industry*, address in-depth interviews and case studies, which have captured nuanced and detailed information about the experiences, motivations, and challenges faced by family business owners and stakeholders.

Other works, such as Family Protocol as a Strategic Planning Tool and Corporate Governance and Value Creation in Emerging Markets are approached with quantitative methods, such as surveys and statistical analysis, which help generalize the findings to a broader population of family businesses. This is very important when drawing overall conclusions or identifying trends within a specific region.

As noted, this special issue employs a combination of these methods and approaches, with researchers presenting their results to gain a more complete and nuanced understanding of family businesses in Latin America, leading to more informed recommendations for practitioners and policymakers in this field.

Overall, the studies in this Special Issue show that creating and developing a family business is a Herculean task: harnessing family members' skills, resources, and moral support across generations in contexts ranging from supportive to hostile practices toward family businesses.

The reading of these articles prompts us to take a closer, multidisciplinary look at family businesses in Latin America. We have compiled a body of work to showcase this region's growing strengths and challenges of family businesses. From humble beginnings, some Latin American family businesses featured have become market leaders in their countries and regions. Over one or more generations, some have become successful business cases in their home countries based on the everyday products and services they provide. These papers also highlight that, though the long-term survival of family businesses in Latin America is fragile, businesses that have thrived over generations tap into the key element that drove their genesis: the family.

Articles in this Special Edition

This Special Issue is comprised of seven articles. The first of them, "How Family businesses benefit from Familiness: Strategy Change," presents the impact of the attribute of "familiness" on family businesses when they decide to switch strategies and its implications for their economic lives. Empirical research was conducted using a quantitative approach to analyze 135 small family coffee producers in Brazil, which are the top producers with over 2.68 million metric tons of coffee on average every year. While some producers continued pursuing the same low-cost strategic orientation despite a fundamental institutional change, others switched to a differentiation strategy to benefit from new market opportunities. The effect of "familiness" varies between early and late adopters of the new strategy. The empirical findings clarify the paradoxical nature of "familiness" by isolating its positive and negative effects on business strategy choice.

The second article, "The Impact of Corporate Governance Mechanisms on Value Creation in Family Firms: Evidence from an Emerging Economy", explores how corporate governance mechanisms can positively impact value creation in family businesses in emerging markets. The findings reveal that good corporate governance can improve these organizations' efficiency, transparency, and accountability. Furthermore, the importance of the size of the Board of Directors, the participation of independent directors, and the duality of the Chief Executive Officer is highlighted. All the latter are essential, considering their traditional concentration of power, the level of legal or regulatory weakness, and the uncertainty and instability of market conditions.

The third article, "The Family Protocol in Argentina. A perspective from the Agency and Stewardship theory and a Perception of Family

Business Owners and Top Managers”, considers how the family protocol can work as a tool for strategic planning of the family business. The protocol establishes the rules and guidelines for decision-making and succession, helping to guarantee the continuity and stability of the company. The authors conducted a survey with family businesses in Argentina, obtaining 220 responses. The results show that the family protocol contributes to the continuity of a family business insofar as it includes norms that both reduce agency problems and favor stewardship behavior.

The fourth article is “Explorers, Audacious, Hesitant, and Hermetics: N-Helix dynamics and collaboration behavior in Latin America Family Firms.” This research used an N-Helix approach and implemented a multiple correspondence analysis in a sample of 127 Chilean small family businesses. The data analysis proposes that family firms may be grouped into four clusters: explorers, audacious, hesitant, and hermetics. These clusters are defined principally by the number of collaborators and the goals of the collaboration. These research findings have implications for understanding the dynamics of family firms’ collaboration and analyzing the critical strategic issues found in family firms’ collaborative behavior.

Focused on innovation, the fifth article is “Innovation and Appropriation in the Argentine Family Business.” It aims to demonstrate the interaction of intellectual property rights and other mechanisms in the appropriation strategy of the benefits derived from the innovations obtained by family businesses. This study contributes to a better understanding of innovative performance in Argentine family businesses and helps to prove empirically the relationship between innovation and the appropriability strategies used by these firms. The authors conceive family businesses based on “familiness”; it is possible to perceive the heterogeneity existing in the set of family

businesses, ranging from firms that tend to be rather conservative to others that are very prone to innovation.

In the sixth article, “The Role of Family Culture on the Transgenerational Transfer in Colombian Family Business,” the authors seek to identify the role of family culture in the transgenerational transfer in Colombian family businesses. The sample was selected from a list of small firms in a specific region of Colombia by the Chocó Chamber of Commerce. The qualitative study used a semi-structured interview applied to members of five family businesses. It was evidenced that the type of family culture influences the transgenerational transfer process through the preparation for succession, values, decision-making process, and level of commitment.

Finally, the seventh article “Sustainability in Family and Nonfamily Businesses in the Wine Industry,” shows that implementing environmentally sustainable initiatives within organizations is a shared research topic across both sustainability and family business research. Using a case study approach, the author provides an in-depth exploration of the presence, role, and strategic nature of environmentally sustainable processes within the Chilean wine industry. The findings suggest that the recognized tendency of family firms to both engage in and benefit from sustainability practices may not only be owed to their desire to preserve family socio-emotional wealth but also the unique ability to better incorporate, apply, and effectively benefit from such investments.

Lastly, our Editorial about Heritage and Legacy in Small Family Firms in Latin America also offers practical implications. Most current family business research is being carried out within developed country settings, and this is limiting when the results are transferred to a practical perspective (Lucero-Bringas and Caro

2019). Thus, the importance of contextualizing research is not only theoretical but also has practical implications. Moreover, further research on family businesses in different regions could help policymakers adapt their schemes to recognize, understand, and promote family business based on context-specific constraints. A case in point is Bolivia, which is trying to incorporate the definition of family business in its Code of Commerce, which not only recognizes a relevant category among businesses but also encourages business care, training, and their relevance.

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