the study of family businesses from a global perspective – possibilities and limitations

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Abstrat

The privatization wave of the 1980s and 1990s meant a reduction in taxes to the wealthiest dynasties in developed and developing countries. It also meant a global process of mergers and acquisitions which benefitted public and private corporations, many family owned businesses. At a national scale family controlled firms have historically been a fundamental source of stability in regional and local creation of wealth and employment. Due to this historical perception of family businesses by societies, politics, and governments, family controlled firms have been supported and benefitted by legislation throughout the world. As economic historians, however, we should try to keep some distance with the object of our study, and critically analyze about appropriate definitions of what family businesses are and how they compare internationally. Also, we must clarify our assumptions about the relationships between family businesses, politics, and society throughout time, and see path dependence and complexity where management literature sees convergence and homogeneity. A comparison of the largest family controlled businesses in Brazil, Mexico and China suggests the utility of business history to provide nuanced and critical views about the significance of family firms in the world.

Key-words: Family, Businesses, Emerging Economies

Resumo

A onda de privatizações dos anos 1980 e 1990 representou uma redução da participação econômica das mais ricas dinastias nos países desenvolvidos e em desenvolvimento. Também representou um processo global de fusões e aquisições que beneficiaram empresas privadas e públicas, em detrimento de muitas de propriedade familiar. Em âmbito nacional, as controladas por famílias têm sido, historicamente, um fundamento de estabilidade na criação de riqueza e empregos regionais e locais. Em função dessa percepção histórica de empresas familiares por sociedades, políticos e governos, as controladas por famílias têm sido apoiadas e beneficiadas por leis em todo o mundo. No entanto, como historiadores econômicos, devemos tentar manter alguma distância do nosso objeto de estudo e analisar, criticamente, definições apropriadas do que são negócios familiares e como compará-los internacionalmente. Da mesma forma, devemos tornar claras as nossas premissas sobre as relações entre empresas familiares, política e sociedade ao longo do tempo, a fim de ver a trajetória histórica e a complexidade onde a literatura de administração observa convergencia e homogeneidade. Uma comparação entre as maiores empresas controladas por famílias no Brasil, no México e China sugere a utilidade da história de empresas para oferecer visões sutis e críticas do significado de negócios familiares no mundo.

Palavras-chave: Família, Negócios, Economias Emergentes

1. Introduction

Globalization is revealing the importance of flexible networks of entrepreneurship in the world. In this context, it is useful to remind in this conference economic and business historians that despite the importance and visibility of big public and private multinationals and corporations, family businesses are the most common type of entrepreneurial network in the world.

We have many good definitions and studies about joint-stock companies, State-owned companies, multinationals, limited companies, and other legally acknowledged categories of firms. There are no legal traditions that had defined in past or present times what a family firm is. Consequently, it is very appropriate to start this conference by asking ourselves what a family business is, and what good definitions we have in order to study in a scientific and critical way family firms.

There are many possible definitions in the literature, as some scholars specialized in the field, like Pramodita Sharma, Mary Rose, or Andrea Colli, have indicated. According to the EFB/GEEF (European Family Businesses/Group of European Group of Owner Managed and Family Enterprises (http://www.geef.org/definition.php, accessed February 19 2010) a firm is a family enterprise, if:

1. The majority of votes is in possession of the natural person(s) who established the firm, or in possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2. The majority of votes may be indirect or direct.
3. At least one representative of the family or kin is involved in the management or administration of the firm.
4. Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the right to vote mandated by their share capital.

This definition is useful for countries in which most family firms are public companies listed in stock markets, as in the United States. Also, in countries in which family businesses made up of nuclear families (husband, wife, children, and heirs) dominate, as in Western Europe. However, in cultures where spiritual ties with distant ancestors (as in Asia), or illegitimacy (as in Latin America), are important ingredients in the conceptualization of entrepreneurship, and in countries in which the stock market is not the major form of financing (in most of Asia, America and Africa, or in Southern Europe) an alternative definition with historical and cultural content could be proposed, which is:

Family business is a type of entrepreneurship, in which:

1. ownership and control are shared by individuals,
2. who establish among them regular family ties and networking activities,
3. which include or exclude people according to criteria that are highly diverse according to different cultures of the world,
4. and whose main goals are:
   a. to obtain and maintain the material and spiritual welfare
   b. of individuals linked by kinship ties to the founder/s of the business,
   c. throughout generations

According to the last FBR monitor, family business defined in these two possible ways are the most usual form of ownership and control in Europe:[1] family businesses represent 91% of all enterprises in Finland, 83% in France, 79% in Germany, 79% in Sweden, 73% in Italy, 65% in the UK, 61% in The Netherlands, and 85% in Spain. European Family firms account for between 31% (in the UK and Netherlands) to 61%(in Sweden) of total employment. The economic weight of family businesses is also high in America, United States (95%), Argentina (65%), Chile (75%), Uruguay (65%), Brazil (90%): Australia (75%); Asia, India (65% of GNP), Indonesia (82% of GNP) (IFERA 2003).

Family businesses are as old as humankind, and they have been and are the dominant type of ownership structure in the world. However, from a scientific point of view, family business literature is a relatively young field of study and research that has expanded in the world after World War II, and particularly since the 1970s. The first centers, chairs, associations, and journals were born born during the 1970s and 80s in

1 Available at <http://www.fbn-i.org>.

the United States and during the 1980s and 1990s in a few other countries, particularly in Switzerland, Brazil, and Spain.

A combination of entrepreneurial factors, and the evolution of some academic disciplines, explain the birth of family business studies at this time. The conference will highlight the context in which this new research area was born, and will present some of the major contributions of this field to existing disciplines like economic and business history. The conference will indicate that scholars must be aware of the limitations, and possibilities, of family business studies and entrepreneurial networks literature to extend the scope and topics of our research in the future. The conference will finally suggest that emerging economies like Brazil, China, or India, are also some of the most promising places from which family business studies will obtain fresh and new empirical evidence and hypothesis.

1. The context in which family businesses studies appeared
2. Sources and methodologies: the limitations, and the possibilities, of family business studies
3. Agenda for future (and present) research in the field

2. The context in which family business studies appeared

Family business studies have always existed in the traditional research of anthropologists and historians since at least the nineteenth century, in an academic and scientific way. In Anthropology, families and their different systems of self-definition, alliance, and the functionality of both for social and economic life, were the focus of a growing number of excellent dissertations of highly influential European and North American scholars since the 1940s. Well-known anthropologists like Evans Pritchard, Lévi-Strauss, Radcliffe-Brown, Mead, Malinowski, Sahlins, or Goody, often based their new theories about kinship on extensive field research developed in the observation of families of South America, Africa, Oceania, and Asia (for instance, Evans Pritchard 1940; Lévi-Strauss 1947; Radcliffe-Brown and Forde 1950; Goody 1983). Kinship systems, descent groups, lineages, phatries, and other forms of family organization were extensively studied, and debates between structuralist, functionalist and other theoretical approaches flourished in the second half of the twentieth century in order to understand the great variety and functionality of relationships among individuals in families of very diverse definitions and compositions in the world (an overview of ideas in Trautman 1988).

History also paid increased attention to family sytems of organization, and to the evolution of the structures of social life, after the 1940s, but in contrast with Anthropology, most of the great works that started to be written after the second world war, and well until the end of the 1970s, obtained empirical evidences from families living in developed economies of North America and Europe. There were two great streams of practitioners within History who started research about families and their businesses since the late 1940s: social historians, and economic and business historians. Social historians in the United Kingdom, and France, particularly, published about marriage, sex, childhood, divorce, and culture since the Middle Ages (Ariès 1960; Flandrin 1976; Stone 1977; Goody and Le Goff 1983; Gies 1987; Ariès and Duby 1986). They paid close attention to concepts and methods from more theoretically grounded disciplines used to deal with families in the past in a more quantitative way, like the influential Cambridge Group of Demography led by Peter Laslett (interested in the study of household formation and evolution of fertility rates). Classical social historical and demographical studies focusing on families and their businesses developed during the golden age of capitalism of the 1950s and 1960s, in a context of rapid increase of household consumption (led by women´s decisions as consumers) and the emergence of women in the labour market (with implications in changes in traditional marriage and fertility patterns and in family structures). Changes in family systems and family patterns affecting social and economic life are still an outstanding subject of study among social historians interested in the interaction between family life and social evolution, and between family networks and economic growth in a path dependent evolutionary perspective (Ozment 1983; Lewin 1987; Casey 1989; Fernández Pérez 1997; Chacón, Mesquita, Lozano and Irigoyen 2003; Chacón and Hernández 2007; Rodríguez 2004; García González Cuenca 2008). On another theoretical ground, economic and business historians started between the late 1940s and the late 1970s the study of the success of the large U.S. style corporations in the world, with many contributions debating the contribution of family owned and managed businesses to economic growth, or decline, of the Western capitalist economies. Among those who believed that family controlled businesses were responsible of backwardness of many European countries and traditional economic sectors there were many well-known North American scholars (Landes 1949, Chandler Jr., and Lazonick). Among those who defended that family control of a business was not in itself a problem for innovation and growth in many regions and economic activities in past times there were basically European and Asian scholars and a few singular North American researchers (Gerschenkron, Church, Jones and Rose 1993, Rose 1995, Scranton, Fuji Conference 1985, Morikawa). The crisis of the 1970s, the beginning of the privatization process and de-regulatory legislations, plus the effects of TICs in traditional and new businesses throughout the world led to the success of flexibly forms of business organization after the 1980s. During the information era, the globalization of finances and the reduction of regulatory mechanisms, together with the sale of big public and private corporations with problems of oversize and debts led to a massive process of merger and acquisitions in the globe. Family controlled firms of different sizes (alone, or in association with others within clusters or districts), together with non-family multinationals, became national and global champions in many sectors, in these years (Casanova 2010, Guillén). Economic and business historians realized the importance to track the evolution, and the transformation, of this form of ownership structure, and their contribution to regional, national, or even global economic growth. An increasing number of economic and business historians working many of them in European peripheral countries started since the 1980s a sustained flow of research, conferences and publications about the theoretical foundations and/or the history of family firms and family business groups in their countries (Ojala, Fellman, Sluyterman, Rose, Da Silva, Casson, Amatori, Colli, Minoglou, Sala and Galve, Fernández Pérez, Puig, Díaz Morlán, López Morell, Germán, Cabana, Vidal Olivares). These economic and business historians received theoretical influences from the economics of the family firm elaborated by newinstitutionalist theory (Casson 1999, Galve and Sala 2003 and Special Issue 1999 Scandinavian Economic History Review). Their research has often been presented in conferences of economic and business history associations, usually in distant cooperation with traditional social historians or anthropologists, though with some attraction towards the new family business studies associations and publications that have been created around some management and business schools in the world, which we analyze in the following section of this chapter.

Due to the nature of the anthropological and historical research, which requires above all in History some distance between researchers and the subject of their study in the process of analysis and interpretation of the empirical data, very often the interests of the researchers have been very different from the objectives and needs of the family business stakeholders under study. On another ground, anthropologists or historians have not been interested in institutionalizing their particular field of research through the creation of special chairs, centers, associations, and publications focusing on family business research, with only a few remarkable exceptions.[2] In comparative terms with the family business studies developed among scholars of management which we will analyze in the following paragraph, family business studies are in these disciplines a marginal topic of study with isolated and dispersed practitioners.

Much more interested in the personal and professional needs of the people involved in a family business, or in the contribution of family businesses to economic growth and development in the world, other type of family business researchers have flourished since the late 1940s and early 1950s, and particularly since the late 1970s, in schools and faculties of economics, business, sociology, law, and psychology. Though different in academic training, methodology of work, and objectives, a common denominator of this second type of family business scholars is that they have had –and have– a strong interest in understanding family business needs, and professionalize their educational and professional methods to meet these needs. In this process, scholars from dif-

2 Two outstanding exceptions have been *The Journal of Family History*, which started publications in 1976, and the University of Murcia group of study and publications about the history of the family from a social and political historical perspectives, created in the late 1980s by Francisco Chacón. Among demographers, the Cambridge Group that study households composition and evolution in international comparison, led by Peter Laslett.

ferent disciplines and countries have organized the institutionalization of a new interdisciplinary subject of study. This innovative process has encouraged the professionalization of family business studies since the late 1970s. First, through serious academic efforts to standardize definitions, concepts, and theories. And second, through the institutionalization of family business programs, associations, centers of study and research, and publications, in order to organize the creation and dissemination of ideas among its practitioners and stakeholders. For some authors, the future of this second type of family business researchers will include among other elements, the effort towards the standarization of knowledge that will guarantee the quality of services provided to family business stakeholders in different regions of the world (Sharma, Hoy, Astrachan and Koiranen 2007).

The chronology of the key developments in the emergence of family business research as an institutionalized field of study, under this second type of approach, is already well known. There are good and abundant overviews, written by scholars from different social sciences interested in family businesses, like business history, management, psychology, and accounting, (Jones and Rose eds. 1993; Rose ed 1995; Sharma, Chrisman and Chua 1996; Sharma, Chrisman and Chua 1997; Colli 2003; Colli, Fernández Pérez and Rose 2003; Fernández Pérez 2003; Sharma 2004; Sharma, Hoy, Astrachan and Koiranen 2007). Due to this existing knowledge, we know about the origins of family business research as a new scientific field of study in the world, from the first doctoral dissertation in the United States finished in 1953 specialized in the subject, to the first European dissertation on family firm legal situation written by an Asian author in 1963, to the first consulting firm in Brazil in the early 1970s, the first European programs and chairs in the late 1980s, and the 128 family business centres and 50 premiere business schools with family business programs in 2008.[3]

Most of the available surveys which describe the origins of family business studies, and the institutionalization of centers, programs, and associations in the world, describe key developments, names, and events.

[3] A useful summary of existing knowledge is available in Panikkos Poutziouris, "The Family Business Academy: Trends and Practices", unpublished conference delivered at the Family Business Conference, Budapest, 11 September 2008.

They usually highlight the role of the United States and the main U.S. centres, journals, and scholars in the founding years, building –and many of them are still building up– the solid foundations of a new field of research which crosses many traditional scientific disciplines. Some European and South American scholars have also been studied as active drivers in the dissemination of family business programs, publications, and centers.

The institutionalization of family business studies has been the result of an innovation process. In the economics of innovation literature there is a well-known argument which indicates that innovation occurs every time that there are innovative entrepreneurs who are able to observe a need in the market (an opportunity), locate and combine the resources required to meet such a need, and yield a product or service which can be successfully distributed in the market. That is, innovation takes place when entrepreneurs combine what is possible with what is needed (Stefik and Stefik).

This is exactly what happened in the United States during the 1970s, that helps understand the beginning of the successful institutionalization of family business research. A combination of factors had created after the Second World War conditions that led to a need for a different, specialized and formal body of knowledge, with formal training methods and practitioners who had to gather in informal and formal associations in order to exchange knowledge and standardize their ideas. There was a growing number of clients (entrepreneurs, firms, professionals giving consultant services to firms and entrepreneurs) who sought such ideas in the market at that particular moment. The demand grew between the 1950s and 1970s, because many family firms created at the end of the nineteenth century and first decades of the twentieth century, and also firms created after the 1929 crisis, were experiencing conflicts in their transition to second, thid, or fourth generation of family control. According to a 1971 survey of the approximately 1,000,000 registered corporations in the United States, around 980,000 were family owned or controlled (*Industry Week*, 1971 and Beckhard and Gibb Dyer 1981). After the 1970s these family businesses, some of them new fortunes (the Buffets, the Gates), some the continuation of late nineteenth century family businesses (the Fords, the Rockefellers), and some heirs of post-war businesses (like the Waltons of Wal-Mart) were confronting important challenges: 1) the need to justify their wealth in terms of democratic values; 2) the need to protect their fortunes from the folly and extravagance of their descendants; and 3) the need to protect their descendants from the corruptions of wealth (Dobkin and Marcus 1998 and Marcus and Dobkin 1992). Besides, the macroeconomic environment was changing, with Nixon abandoning Bretton Woods´ responsibilities of having the dollar as the ruler of monetary stability in the world, and the impact of the oil crisis in many oversized multinational corporations. Debts, bankruptcies, and monetary problems added new financial problems to the traditional three challenges confronting U.S. family firms since the times of the late eighteenth-century Bostonian dynasties. The traditional use of spendthrift trusts, charities and philanthropies, so common in the U.S. to reduce taxation and organize in a family –and socially acceptable- way the professionalization of management and its separation from ownership (so different from the situation in many European countries where these legal figures did not exist with this positive effects on longevity and conflict reduction among old family firms), used family business owners to cooperate with professional experts from different fields of expertise: lawyers, psychologists, after the 1970s and 1980s. Additionally, U.S. family firms were getting older (an overview to the year of foundation of the 150 oldest US family firms –available through website- is revealing in this regard), and with them the number of family managers also grew, in transition from founder´s stage to brothers´and cousin consortium´s stages, thus presenting a much more complicated scenario frequently plagued by conflict.

Conflict in succession of family firms, as family business specialists have frequently indicated (Jones and Rose eds 1993, Colli, Fernández and Rose 2003, Sharma), involve financial problems, psychological problems, manageurial problems, labour relations problems, and strategical problems. Traditional family firms used to wash their dirty clothes at home without external consultants, but North American family firms had experienced, particularly those of medium and large size, a process of professionalization at many levels of their management, with many of their junior family members holding a degree in prestigious business schools of the country, and many external consultants managing trusts and charitable foundations, as well as family offices (in existence since at least the 19th century according to Marcus and Dobkin 1992 and Dobkin and Marcus 1998) in which the family wealth was invested. It was relatively easy for U.S. family business stakeholders (easier for them than for European or Asian, or Latin American family business stakeholders, in the 1970s) to understand and above all to accept that the continuity of the family firm also needed professional assistance. They sought professional assistance among professional psychologists, accountants, lawyers, professors of management and organizational behaviour, and consultants, in many universities in which family successors had already received training and felt familiar with the staff.

In the 1970s, productive activities suffered from increasing prices and a reduction in profits at the U.S. New powerful associations and institutions emerged under the impulse of the third generation of the Rockefeller family, which successfully lobbied to reduce the taxation of the philanthropic associations which concentrated an increasingly bigger portion of the wealth of the largest dynasties of the country. According to the reports delivered by the Rockefeller family, Rockefellers had stepped back from ownership and management of most of their productive firms in the 1970ds (460-475 biografia Rockefellers). Most of their wealth, and most of their manageurial skills, were located in their philanthropic, highly tax deductible, organizations. It was precisely the Rockefellers who took the lead in the 1970s to reduce taxation in philanthropic societies of the country, by leading a national and vast movement that included all kinds of public and private charitable and philanthropic societies of the U.S. By mixing their own philanthropy with all kinds of philanthropies, it could be more easily defended tax deduction policies that while benefitting low income people also highly could benefit the financing of public educational and sanitary institutions of the country of the middle classes, and at the same time the Rockefellers and other dynasties whose power was in the difficult years of the 1970s more and more protected under the umbrella of philanthropy. Top marginal tax rates for the wealthiest of the country consistently declined in the last third of the twentieth century under a series of new liberal republican governments, from the 91 per cent top marginal tax rate established in Eisenhowever´s times in the 1950s (it had been 63 to 79 per cent during the New Deal policies of the 1930s), it climbed down to an average of 70 per cent during Nixon´s presidency in the 1970s, and to around 50 per cent in Reagan´s presidency in during the 1980s).[4]

In this context, a demand of advisors specialized in family business consulting appeared, which was initially sought by members of powerful dynasties among professors of U.S. universities and colleges. Family business consultants lacked specialized theories, concepts, methodologies, and scholarship to help them elaborate a coherent set of reports to US dynasties looking for help. Help was needed from an interdisciplinary perspectives, to fill needs in accountancy, psychology, strategy, organization, or ethics, among others. That meant a need for an interdisciplinary scientific approach, which did not exist in the 1970s. It was for this new demand of highly qualified scholars from large US dynasties that the interdisciplinary field of business studies arose first in the US. This demand arose during the late 1980s and early 1990s in Europe, in strong coincidence with a new environment of rapid competitiveness from emerging economies, and new opportunities to invest in developed and developing markets. Privatization and the new globalization wave that shook the world in the last decades of the 20th century in Europe, Latin America, and Asia, meant new financial needs, new tools to manage cultural diversity in global companies, and new ways to train successors in family businesses that became global companies. Finally, it also meant for locally-based family firms the need for new ways to reduce the cost of taxation or wealth transfer in order to avoid dispersion of the business and favour expansion. The need for interdisciplinary advisors that knew about taxes, accountancy, history, psychology, politics, and management of private wealth meant, in Europe, the association of large family firms and the investment in research specialized in family businesses in private an public centers. In this way, family business studies started in Spain and Switzerland in the late 1980s, expanding to the other European countries during the 1990s and early years of the twenty first century.

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4 <http://politics.gather.com/viewArticle.action?articleId=281474977623449> (accessed 23 July 2010).

3. Sources and methodologies: limitations, and possibilities, of family business studies. The example of what can be done in emerging economies like Brazil, China or Mexico

The main typologies of studies that compare family business at national or international scale are: (1) studies that try to quantify the number and significance of family business in a country or in a group of countries; (2) a corporate governance perspective, that analyses separation of ownership and control; (3) another group of studies that analyses whether or not public family firms perform better than public nonfamily; (4) from a historical perspective, the important line of research has focused on the study of longevity, and the identification and explanation of the companies´ growth strategies ; (5) some scholars also provide a critical interpretation of the available sources, either as a central part of their papers or as a secondary.

Regarding the geographical aproach of the studies, a large number of works are focused on their national context, dominantly the U.S. or Western European territories. Other works try to compare the significance and performance of family business between two countries, or between a group of countries in the same area. Very few studies have attempted international analyses. From a business history perspective some authors have used international comparisons, but underline the qualitative results while in many cases avoiding a quantitative approach.

Regarding the typology of the companies analyzed in the scholarship, most of them only examine public companies. This is due to various reasons, such as the kind of indicators used to measure financial performance and, above all, because of the kind of sources used to compile the database collection. Listed companies provide a wealth of information difficult to substitute with an alternative. However, and due to the vast amount of non-listed family owned firms that exist in the world, this is, an important bottleneck in the research.

What can we do to draw a broader landscape in the international comparisons of family businesses? For this conference an exercise of comparison of some quantitative indicators has been done, with quantitative data on turnover, employment, ownership, specialization, and longevity of the largest public and private family business of Brazil, Mexico and China, during the first decade of the twentieth century. Additionally, in order to understand long-term factors that have historically influenced in a similar way the growth and transformation of these large family firms in emerging economies, a qualitative effort has been done to suggest path dependent strategies of professionalization and international training of the family management of the top large family firms of these countries. This exercise reveals the great potential that family business research has in emerging economies like Brazil, with a combination of quantitative analysis, and qualitative studies of the institutional and social context in which family businesses transform their structures and strategies through time.

I have used 3 national rankings. In the Brazilian and Mexican cases, the data set proceeds from two business and financial magazines: the lists published in the 2009 issues of *Exame* in Brazil, and in *Expasión* in Mexico, which include the 500 largest companies in each country according to turnover for 2008. In the Chinese case, we have been able to use the list of the 500 largest companies according to turnover for 2005, published by the Chinese Goverment (China Enterprise Confederation).

In all cases, ownership structure data has been collected from the Orbis database, which provides the names and immediate holdings of all owners that hold more than 5% of a company's stock. We supplement the immediate ownership information from Orbis with data from national and international business and financial press, companies' websites, and stock market watchdog (for public companies).

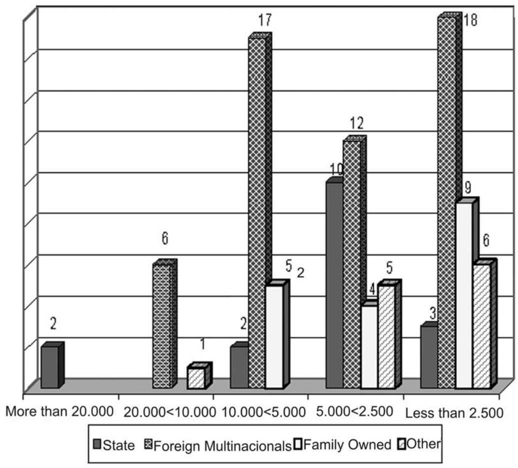
In terms of ownership structure, Table 1 indicates the important presence of large family businesses among the largest Mexican (50%) and Brazilian (18%) companies. In contrast, large family firms have lower representation among the group of largest Chinese companies, barely 1%. Ninety-five per cent of 100 top Chinese companies are state-owned; this percentage is lower in the case of Mexico (8%) and Brazil (17%). Foreign multinationals also have a significant presence among the economic elite of the three countries. Foreign multinationals are particularly important in Brazil (53%) and México (40%). Finally, "Other ownership structures" (including firms with high dispersion of ownership and cooperative companies) are significant in the Brazilian case (12%) but almost insignificant in Mexican and Chinese cases (2%).

Table 1 – Ownership structure of the 100 largest corporations in China, Mexico and Brazil (number of firms for years: 2005 China, 2008 Brazil and Mexico)

Ownership Typology	Total	Brazil	México	China
State	120	17	8	95
Foreign Multinationals	95	53	40	2
Family Owned	69	18	50	1
Others	16	12	2	2
Total	300	100	100	100

Sources: Own elaboration. For Brazil top 500 firms in *Exame* 2009, for Mexico top 500 firms in *Expansion* 2009, and for China top 500 firms of the *China Enterprise Confederation (CEC*)/China Enterprise Directors Association(CEDA)*. Also Company Websites, Google Search, News, Shanghai Stock Exchange, Shenzhen Stock Exchange. "Others" include firms with high dispersion of ownership and cooperatives.

Figure 1 – Turnover of Largest Brazilian Firms (Million USD, 2008)



Data shown in USD in the original primary source (*Exame*).

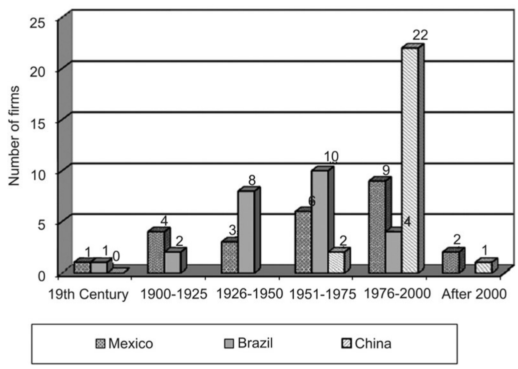
Of the companies included in my database, 15 are in first generation (4 in Mexico, 4 in Brazil and 7 in China); 25 are in transition between first and second generation (7 Mexican firms, one Brazilian firm and 17 Chinese companies); 21 are in second generation (10 firms in Mexico, 10 in Brazil and one in China); 5 are in third generation (2 Mexican companies, and 3 Brazilian firms); 5 in fourth generation

(1 Mexican and 4 Brazilian companies) and only one firm in Brazil (Klabin) is in its fifth generation of family control.

Table 2 – Generations in control of top family firms in Mexico, Brazil and China in first decade 21rst century

	Generation in control				
Country	*1rst*	*2nd*	*3rd*	*4th*	*5th*
Mx	4	10	2	1	
Br	4	10	3	4	1
Ch	7	1			

Figure 2 –Year of beginning of the business of 75 largest family firms in Mexico, Brazil and China (proxy to longevity)



Source: Same as in Table 1

Past studies about endogenous factors influencing the growth of the largest family businesses in emerging economies of the past, like Spain, suggested the importance of: trust-based informal networks; and the professionalization of the family firm and particularly of the managers who are family members of the company. A plausible hypothesis could be that these could be also significant factors in the evolution of top family firms in emerging economies of today.

1) Regarding trust-based informal networks, they may reduce the costs of growing in scale and scope in national and international markets. According to Mark Granovetter (2005), and Mark Casson (1999)

social networks affect economic outcomes for three main reasons. Firstly, social network influences the flow and the quality of information; secondly, social networks are an important source of reward and punishment; and finally, because trust emerges only in the context of a social network. Informal networks can even be considered as an alternative flexible mechanism for surviving critical times (this was particularly the case in the succession of the Azcárraga family in Televisa, or the Aramburuzabala family of the Modelo Group in Mexico) and of course for diversifying, taking on new profitable business ventures (as in the Alfa Group of the Garza family, or the BAL group of the Ballieres family also in Mexico). For Brazil Lourdes Casanova has published about the extremely important role of these trust-based informal networks, which could be further explored by young scholars in Brazil.

2) Regarding the professionalization of the family firm. This process historically may mean hiring external (non-family) managers, and also an improvement of the managerial education of members of the family working in the family business. The professionalization is a phenomenon that cannot be improvised; on the contrary it is clearly influenced by the external environment related to i.e. educational system, and specifically the existence of national institutions which provide the human resources needed to handle new manageurial problems like those involved in the second wave of globalization after the 1970s-80s. In the emerging economies studied here, some innovative and outward-looking entrepreneurs, plus the combination of local impulses and individual leadership allowed since the 1910s, led to the slow creation of educational centers, banks, infrastructures, value systems and human capital that were needed in order to take advantage of the opportunities that opened up in the 1980s and 1990s, when the globalization era started.[5]

A research team I lead at University of Barcelona has started an approach to the historical study of the contribution of the educational

[5] We have greatly benefitted from the academic works, included in the bibliographical references, of Barbero and Jacob, Basave, Casanova, Cerutti, Goldstein, Hoshino, Marichal, and Pozas. For China we have used Brandt and Rawski and have systematically studied all articles on private and public business and economic policy published in the *Journal of Contemporary China* between 1997 and 2009.

system in providing professional training to managers in Brazil, Mexico and China. As far as Brazil is concerned the study, in the first stages, starts to indicate the importance of this relatively new subject of study in the correct understanding of the economic revolution of Brazil in the last decades. In the contribution to professionalize managers in the country a pioneering institution has been Fundação Getulio Vargas, founded in 1944 and strongly linked with international business schools and universities, with well known alumni among polititians such as Eugênio Gudin or Themistocles Brandão Cavalcanti, economists such as Alexandre Kafka (Director in the International Monetary Fund and the organizer of the Brazilian Institute of Economics at the Getulio Vargas Foundation), Otávio Gouveia de Bulhões, or Mário Henrique Simonsen.

In 1952 the Escola Brasileira de Administração Pública e de Empresas was created, linked to Getulio Vargas Foundation. It was the first business school in Latin America. In 1976, another relevant institution was created, Dom Cabral Foundation, as a spin-off of the Minas Gerais Catholic University's Extension Center. Founded as a not-for-profit organization, the school has strong international links, especially with the French business school INSEAD (a strategic alliance set up in 1990s). Linked to Spanish IESE business school, ISE Business School in 1996, offering specialized courses of family business included in the Direção Geral de Empresas departament.

The modernization of Brazilian family business, as in Mexico, China, or other emerging countries, has had another important key actor: consultants. Some are pioneering U.S. consultants in family businesses, but others are Brazilians who have pioneered family business consulting in the world. In fact, the first dedicated family business consulting firm in the world was Bernhoeft Consultoria, a consulting firm born in Brazil in 1975 founded by Renato Bernhoeft. Some relevant Brazilian (and Latin American) family firms have been clients of the consultant, like Grupo Coimex, Grupo Andre Maggi, Bertin, Algar, Gerdau, Grupo Dadalto. In 2000, new associates were incorporated to the board of the firm, Édio Passos, Renata Bernhoeft (founder´s daugther), Renato Bernhoeft y Wagner Teixeira. In 2008, the company changed its name: Höft - bernhoeft & teixeira – transição de gerações. Höft belongs to The Family Business Consulting Group

International, an international network of family business consultant since 2002.

Among relevant foreign consultants contributing to expand family business studies and consultancy in Brazil one must mention John Davis, Ivan Lansberg (Venezuelan, .A. and Ph.D. degrees from Columbia University, and professor of organizational behavior at the Yale School of Organization and Management) or John Ward, advisors of the largest family firms in Latin America. Recently, the Cambridge Advisors to Family Enterprise, the world's largest international advisory firm for family businesses founded by John Davis, announced the launch of its Brazil office in may 2010, located in São Paulo, the first outside United States. Davis, the pioneering U.S. professor who designed the first models to teach about family firms in the late 1970s, has advised, for example, two of the largest Brazilian companies, Gerdau and Pão de Açúcar, in their succession processes.[6]

4. Agenda for future (and present) research in the field

Historical topics of research are often fashions, which is a danger in our profession. Now you study this, tomorrow who knows! But, sometimes, the emergence of a new subfield of research is the result of collective efforts of contemporary researchers who seek answers to present problems that may affect their societies.

The privatization wave of the 1980s and 1990s meant a reduction in taxes to the wealthies dynasties in developed and developing countries. It also meant a global process of mergers and acquisitions which benefitted public and private corporations, but also family owned businesses. At a national scale family controlled firms have historically been a fundamental source of stability in regional and local creation of wealth and employment. Due to this historical perception of family businesses by societies, politics, and governments, family controlled firms have been

[6] Davis participated in the sucession process of Gerdau Johannpeter in 2006. He also orientated the process of professionalization of Pão de Açúcar in 2003, when Abílio Diniz designated a external manager to guide the company. <http://portalexame.abril.com.br/gestao/noticias/john-davis-anuncia-abertura-escritorio-brasil-559719.html>, accesed 23th June 2010.

supported and benefitted by legislation throughout the world. As economic historians, however, we should try to keep some distance with the object of our study, and ask ourselves some questions which, maybe, could be a guide for future research of young scholars in Brazil: do current definitions of family firms fit the reality of family businesses in our regions? What kind of sources do we have in order to study the variety and evolution of family businesses in our territory, in a comparative way? What do these sources reveal that is peculiar, or different, in comparison with what we know for other countries? What institutions have contributed to help family firms respond to the continuous technological, political, and market transformations of the last centuries? In what ways? How the modernization and professionalization of management has taken place in the country, and how has this been experienced by family firms in the country? What is the relationship between the State and family owners in Brazil, in terms of financing, demand of products and services, and contribution to local welfare of the population?

These questions may become interesting questions that attract Brazilian readers, and if researchers make an effort to compare their findings with those from other regions of the world this could help correct Eurocentric or Anglocentric visions which currently dominate –with its terrible effects- studies about entrepreneurship in the world. Hope you do it.

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