Introduction

A Global Revolution: The Endurance of Large Family Businesses around the World

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This book is about the dynamic evolution of one of the most popular, debated, and controversial forms of business ownership and management: family firms, in particular, those of large dimensions.

Family businesses are as old as humankind, and their relevance worldwide has been acknowledged and studied by a diverse group of social scientists, particularly historians, management scholars, and economists. The advent of the large corporation, as a result of the spread of mass production and distribution techniques, together with the creation of a new class of professional managers during the second half of the twentieth century, seemed to pose serious challenges to the survival of large family firms. In addition to this, the first oil crisis of the 1970s – which heavily hit OECD (The Organisation for Economic Co-operation and Development) economies – and, above all, the strong financial deregulation of the 1980s and 1990s meant new challenges for family firms, which were more exposed than others to the profound changes in the economic framework. Many economic and business history books indicate that, among the many consequences of the Second Industrial Revolution that spread through the diffusion of the technologies of mass production and distribution, calling for new organizational structures based on the skill of professional managers, was the decline of the role of the family as the provider of both financial and human capital in complex businesses (Chandler, Amatori, and Hikino 1997). Research written and published in the 1960s and 1970s addressed the rise of the modern professional corporation, pointing out the difficulties that traditional family businesses experienced in adapting to these changes (Chandler 1962, 1977). The basic idea was that, in industries characterized by economies of scale and economies of scope, a process of convergence in organizational and ownership structures was unavoidable – the future was the large, vertically integrated managerial multidivisional corporation, a reality requiring financial and managerial resources that could hardly be provided by a single family, even if it were wealthy, or by a skilled and talented individual. In terms of ownership, the solution was the fragmentation of capital among a multitude of shareholders, who were barely interested or totally disinterested in being involved in the management of the corporation: it was the rise of the public company.

However, despite a diffused feeling of convergence in corporate forms, research published since the late 1990s has stressed the enduring presence of family-controlled large businesses in many industries all over the world, in both developed and emerging economies (see, e.g., Jones and Rose 1993; Rose 1995; Colli 2003; Fernández Pérez 2012). Studies in management (Whittington and Mayer 2000), finance (La Porta et al. 1999), and corporate governance (Barca and Becht 1998) all simultaneously realized that large firms around the world were only partially converging toward the model of the public corporation. Both cross-sectional and longitudinal research demonstrated that concentrated ownership and management were the rule, in both advanced and emerging countries, and among the main owners family firms were still present. Family-controlled large business groups are considered to be a relevant feature and one of the distinctive advantages in emerging economies (Guillén 2001; Colpan, Hikino and Lincoln 2010). Even very recently, the public company has received some bad press; even though it is considered as an engine of modern economies, it shows serious weaknesses when compared with other ownership structures, including those based on families and dynasties, not only in developing economies, but also in mature ones (*The Economist*, May 19, 2012).

Was this not a contradiction of previous research that seemed to bury family businesses as an unsuitable and inefficient form of business organization? How was it possible that the old and traditional family firm that seemed to be in decline before the 1970s was showing such strength in the complex world of the third wave of globalization, a world dominated by transnational corporations and global networking after the 1980s? All of these questions are undoubtedly relevant to scholars, especially to business historians. However, besides these questions, one more general question surrounds the whole issue, one that is certainly crucial for public opinion: Why, if family businesses have dominated, and, indeed, still dominate the world, should one dedicate time to them at all?

A first consideration, common to almost all the publications and research in the field, is that family ownership is not only resilient among large firms, but also often connected to good levels of performance – not only economic performance, as some econometric evidence shows (Barontini and Caprio 2005), but also other types of performance.

To stress the vitality of family ownership as a management model that is particularly efficient under some conditions is not, however, the primary purpose of this book, which is instead to demonstrate that one must study family businesses because, notwithstanding their predominance and relevance, there is an enormous lack of reliable, comparable information about them. The diffusion of limited liability since the mid-nineteenth century allowed family businesses, particularly large businesses, to increase their anonymity, hiding themselves in official statistics at all administrative levels, where issues concerning ownership were far less important than those of a fiscal nature or those related to employment levels or other measures of productivity. Hence, official statistics regarded the nature of ownership as a factor that could have an influence on performance as irrelevant until very recent times, when legislation started to increase disclosure requirements. As a consequence, historical research on family firms (including the largest ones) still lacks an acceptable and comparable quantitative basis, on which it would be possible to build a shared definition of family ownership. Several chapters in this book clearly reveal the difficulties in properly defining what a family business is – something that is even more problematical when the historical perspective is introduced.

And the differences in the perception and the definition of what family ownership is, and of what a family firm or a family group is, are relevant for many reasons, not least because the different typologies of family ownership may influence our understanding of the process of internationalization and the growth of firms. In addition, the debate about the nature of family ownership is connected to a broader discussion of the diversity and ongoing changes of family models in the world. Demographers, anthropologists, and sociologists have all thoroughly studied how the introduction of birth control, new models of families, the massive incorporation of women into the salaried labor market, new sexual habits, the increase in life expectancy, the reduction in female fertility, and the increase in the age at first motherhood had an impact on the way in which families organize succession, inheritance, and business among generations and between genders. New families in changing societies have yielded new rules of internal government, new types of networking activities, and new ways of planning the continuity of the essence of the family across generations.

As the chapters in this book suggest in a more or less explicit way, this transformation is clearly evolutionary and dynamic, and something that calls for a multidisciplinary investigation. First of all, it has taken place on a world scale and in the long run (during the last century), which means that a dynamic approach, carried out on the basis of the existing case studies, is needed for its analysis. Second, this process has changed the family firm in a profound way from a microeconomic point of view. This "revolution" has concerned all the fundamental aspects of corporate life and culture, as well as the relationships between the family and the firm itself.

An interdisciplinary approach to this topic is even more necessary, given the past attitudes of scholars interested in family firms from different fields. Management scholars and business historians, albeit with different concepts, sources, and methods, and usually with very different goals, mainly resorted to case-study research. Broadly speaking, approaches from strategy and management research rarely take into account path dependency and historical rigidities. Case studies and essays written by consultants, advisors, and management scholars between the 1970s and 1990s immediately caught the impact of the changes in the external environment that took place after World War II in the structure, strategies, and organization of large family firms throughout the world (Gersick et al. 1997). Very little was done, however, to place these observations in a medium- to long-term perspective, or to analyze the changes in a global context: changes that have, in fact, constituted a process of global revolution that has taken place in large family businesses on different continents.

Business historians, on the other hand, usually provide a wealth of empirical data with little connection with theoretical debates and suffer from a sort of analytical weakness in formulating their research questions. Furthermore, their research perspective has never been truly international, rarely dealing with the key issues relating to leadership, training, or succession.

To move a step beyond in the analysis of this process of evolution, the chapters of this book, written by a variegated group of business historians and management scholars, explicitly combine concepts from management literature with the long-term view of business history, in a perspective that is global, longitudinal, and interdisciplinary. In the editors' opinion, this is the only way in which to understand fully the various aspects of the transformation of large family firms from "traditional" to "modern" organizations in which the relationship between the family dimension and that of the business shows a complex architecture. This transformation has been shaped differently in different sectors of activity, and in different environments; subsequently, the chapters of the book are explicitly comparative and take into account Asian, American, and European experiences.

The sections of this book broadly address different aspects of this evolution, while the individual chapters address the more specific issues. The first section (Chapters 1–4) is dedicated to key theoretical issues and debates concerning the evolution and structural transformation of large family firms. In Chapter 1, Fernández Pérez and Puig show how, despite the growing interest toward the topic from the early 1990s onward, family business research was not at all a new field of study. During the last century, historians and management scholars devoted time and energy to assess the various aspects of large, family-run corporations, in an effort to understand their evolutionary patterns in greater depth. One interesting example of this process is the debate concerning the individuation of a shared definition of what a family business is. As suggested by Sharma and Salvato in Chapter 2, the "tormented" individuation of a common definition says much of the evolutionary process of family firms and of family capitalism, which lies at the core of Harold James's analysis in Chapter 3, which is built around three cases of long-lived family firms in Europe. In James's perspective, longevity and sound performance are closely related to the ability of families to evolve in their relationship with the business, which, in the end, leads to a reduction of risk and uncertainty. In the last chapter of the section, however, Colli suggests a more balanced approach. The performance of family firms depends, in fact, on a delicate equilibrium between the positive and negative influences of the family presence, which, in its turn, evolves continuously during the natural process of expansion of the business activity.

Chapters 5 to 8 address exogenous, environmental conditions that have affected the process of transformation of many large family firms from traditional structures to modern institutions, given the institutional constraints provided by the environment. The chapters by Gupta, by Guillén and García-Canal, and by Sjögren, though focusing on particular countries, develop comparisons with other parts of the world and show that many large family firms have successfully made considerable efforts to transform traditional locally oriented strategies into global ones. In the course of this process, many firms disappeared, but some survived thanks to a complex learning process in which they modified their relationship both with the state and with other firms (Chapter 5 by Sjögren). In other cases, this evolutionary process has resulted in the birth of multinational family corporations characterized by a considerable competitive strength in global markets, through a great diversity of organizational skills and network capabilities (Chapter 6 by Gupta and Chapter 7 by Guillén and García-Canal). Besides some specific topics, these chapters highlight how successful large family firms were able to modernize their structures and strategies under the pressure of changing external economic and political conditions. The same dynamics can be individuated in industries, such as banking, and, in particular, in private banking, as analyzed in Chapter 8 by Kobrak and Bunkanwanicha, in which kinship qualities in business represent a much-needed counterweight to the social costs of uncritical reliance on market corrections.

The "global (r)evolution" under review is clearly not the exclusive outcome of exogenous pressures. The last section of the book focuses on some relevant, endogenous determinants of the transition process. The evolving cultural foundations and values of enduring large family firms, of which the changing contribution of women is a significant component, are examined in Chapter 9 by Blondel and Niforos and in Chapter 10 by Agulles, Ceja, and Tàpies. One relevant consequence of this cultural transformation concerns the prevailing management models among family firms. Professionalization (addressed by Susanna Fellman in Chapter 11) – that is, the increasingly diffuse employment of professional managers in key positions alongside family members and owners – is probably the most significant and celebrated outcome of the cultural transition in the variegated world of family firms.

The first relevant message delivered by the chapters in this book is that family firms confirm their dynamic nature and their ability to adapt to changing conditions in their external environments. Many examples mentioned in this book refer to longeve family firms of considerable dimensions. In some cases, they dominate their respective fields or are included among the global leaders in their sectors of activity. Their history bears witness to an outstanding ability to evolve and change in their intimate structure following the transformations occurring within the family, within the family business, and in the relationship between the family business and the changing environment, maintaining, however, at the same time, their identity in relation to a dynastic motive, or, as pointed out in the chapter by Sharma and Salvato, their "essence." The company histories mentioned in the chapters by Sjögren, by James, and by Guillén and García-Canal concerning large and longeval European family firms show successful cases of companies that were not only able to change some structural features (enhancing the professionalization of family members, successfully hiring outsiders, diversifying their activities from their original core business), but also able to preserve the family mission and essence – as examined in greater detail by authors dealing with the intimate aspects of the interaction between the family dimension and the entrepreneurial one, as the chapters by Gupta, by Blondel and Niforos, and by Agulles, Ceja, and Tàpies all show.

The second relevant contribution of this book – which clearly emerges from the chapters by Colli, by Kobrak and Bunkanwanicha, and by Guillén and García-Canal – is the emphasis on a critical approach to the universality of standard rules for success among family firms active in similar sectors and activities. These three chapters present significant examples that show how family resources can make a significant difference in the case of specific activities, adding a strategic asset and explaining how the familiar/family nature of business contributes to the reduction of uncertainty and risk in environments with imperfect market information and weak institutional protection of investors.

The third contribution of this book is to demonstrate the key role played by the professionalization of management in the course of this "global revolution," as suggested in the chapters by Fernández Pérez and Puig, and by Fellman. According to the latter, professionalization – that is, the hiring of professional managers and their insertion in key positions in the business alongside selected family members – is a function of a country's education policy, which impacts on the potential amount of professional managers available to firms, included those that are family owned. However, education alone is not the only factor that explains professionalization in family firms. Country-specific factors (as the Finnish case demonstrates) play a similar role to education in explaining the differences in the rate of professionalization of family firms among different countries and cultures.

The fourth contribution of this book is to frame the process of the transformation of large family firms in a long-term perspective. Theories and perspectives about family firms develop, in fact, together with the topic itself, as the various chapters point out. A more detailed knowledge of the evolutionary patterns in family business studies is thus a key element in our understanding of the process of the transformation of family capitalism. In their chapter, Fernández Pérez and Puig examine the strong connections between the changes in the economic and political framework in developed Western countries in the late 1970s and during the 1980s, the evolving nature of large family firms, and the creation of incentives to the institutionalization of family business research in the world. New challenges for family firms resulted in new directions for academic research. Deregulation and privatization all over the world, growing fiscal pressure in developed countries, the opening of new global markets, and the creation of big regional blocks in the world economy offered new challenges to family business leaders, who were, however, able to count on a bigger and better pool of professional consultants and advisors. The incentives to institutionalize family business research in universities, associations, and business schools, and also to standardize knowledge that could be efficiently used by family business consultants around the globe was thus strengthened. In the end, families, businesses, society, and the academic world established a new era of fruitful dialogue.

In synthesis, this book addresses some topics that are currently at the core of the research into family firms, framing this in a comparative and historical perspective, with a particular emphasis on the transformation in crucial and critical variables to interpret the changing nature of family capitalism. These include professionalization, the changes in the nature and structure of the family, the transformation in gender roles, the transformation in financial markets, the increasing relevance of cultural capital and reputation, the strategic role played by social capital, for instance, in the process of international expansion, the changes in leadership education and transmission, and, last, but not least, the political implications of personal/family control over large companies in both the developed and developing economies.

The main assumption underlying this book is that something occurred to the intimate nature of large family firms in the course of the last decades, that is, in the way in which families have managed, financed, and governed corporations. Family companies also changed their relationships with the external environment, from the government to the vast array of stakeholders. New ways of organizing resources and of using accumulated know-how have been put in place. Family firms have been able to count on better formal business education, political support from local and global institutions, as well as on improved legal and financial tools. Consultants have increasingly provided their services to family leaders. These changes have taken place in different parts of the world, at different moments, and in different circumstances. It has been a slow but pervasive "global revolution" for many large family businesses, a process of change in their ownership, governance, and organizational structures, which resulted into the emergence of a new typology of family firm, characterized by the professionalization of family members and by the hiring of skilled professionals, without implying the vanishing of family control or influence over the firm and its policies. For those firms that successfully underwent this process of change, the outcome has been growth and increased market power.

Far from being passive organizations, the case studies presented in this book suggest that family firms have been well aware of the need to change their traditional organizational forms by adapting to the changing environment. Many were active actors seeking to influence the evolution of the environment when searching for a new internal organization able to adjust to the external new conditions.[1]

This book poses many questions and aims to encourage new research agendas. The evidence reported in the chapters contests the idea that family firms are a transient stage of development of business in the world, and suggests that, on the contrary, they are an example of successful adaptation to changes in the environment. From a normative point of view, this book confirms the extent to which, among large companies, family ownership and management are today sustainable during the process of growth much more than in the past. In other words, institutional and "environmental" factors allow family firms to endure, provided that the families consciously adapt their culture and values to the external constraints and opportunities.

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[1] This active role of large family businesses facing the new waves of globalization of the economy and the new institutional changes affecting different parts of the world during the last century has been assumed and developed by a line of scholars whose theoretical contributions have influenced the different chapters of the book (Jones and Rose 1993; Rose 1995; Chua et al., 1999).

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