

International Family Conglomerates (FCs) from Emerging Economies: Operations across Generations

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Abstract

Family conglomerates (FCs) in emerging economies portray distinctive characteristics and it is largely dominated by the uniqueness of cultural context underpinning the countries in which family members playing a vital role in managing the businesses. FCs are usually founded by charismatic entrepreneurs who were successful to run their businesses in unique ways. FCs predominantly has concentrated on the domestic market in the early days. They enjoy good reputations and institutional backings in-home turfs. The success mantras of FCs differ significantly from the western companies. Major traits of the FCs include-difficult domestic institutions and changes in tackling overseas institutions, family members in the management, international operations with own model, supportive domestic resources and government, and access to cheap labour force etc. Important changes that observed in operations of FCs across generations are-shifting from traditional management to modern management, more domestic and international acquisition, more outward and Greenfield investments, more challenges are faced by successors, difficulties in transferring key capabilities into overseas destinations, balancing reputations and technologies, changes in management style, governmental support diminished etc.

Keywords: Family Conglomerates (FCs), Emerging Economies, Generations, Western Companies

Introduction

A conglomerate is a corporation made up of several different, seemingly unrelated businesses. In a conglomerate, one company owns a controlling stake in several smaller companies which conduct business separately (Kim et al., 2004). Every one of a

conglomerate's subsidiary businesses runs independently of the other business divisions, but the subsidiaries' management report to the parent company (Kurtović et al., 2013). A conglomerate business is a good way to increase profits, while at the same time protection is created from economic turbulence that occurs in certain markets and industry branches (Litz et al., 2011).

Most conglomerates born and started in developed economies, yet the conglomerate in emerging economies is an integral part of the country due to its' important role as the largest source of long-term employment and economic growth (Cavusgil et al., 2014). FCs operate in a wide range of industries from banking to construction to manufacturing, and they are called differently in different countries, such as "*qiye jituan*" in China, "*business houses*" in India, "*grupos económicos*" in Latin America, and "*holding companies*" in Turkey. Genting Berhad in Malaysia, Tata group and Aditya Birla group in India, Ayala Corporation in the Philippines, and Sinar Mas in Indonesia, are the examples of FCs in the emerging economies. Business conglomerates account for over 70 percent of the business within emerging economies, including the BRIC's (Brazil, Russia, India, and China) economies. For instance, the conglomerates account for over 80% of Brazilian and Russian businesses, 95% of Indian businesses as well as 90% of Chinese businesses. More importantly, most of these conglomerates in the emerging economies are family-owned conglomerates (Kim et al., 2004; Chang et al., 2009; Cavusgil et al., 2014).

According to Cavusgil and Knight (2015), one of the major traits of the emerging markets (Dickel et al., 2019) is the dominance of the family conglomerates

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(FCs). These large family businesses are available and dominating for many years in diversified sectors including-banking, mining, energy, automobile, constructions, and many others (Kim et al., 2004). They are not only dominating the domestic markets but also increasingly becoming dominant players in international markets as well (Litz et al., 2011). From a small family business in their early generations to how these companies changed their styles and strategies of doing business as they surpass generations after generations, there is an important lesson to be learned.

Based on a study conducted by Boston Consulting Group (Bhalla et al., 2016) on family businesses in both developed and emerging economies, they found that families' involvement in the management in developed economies has generally declined over time. This is because non-family members have been brought in to managing the diversified businesses and have subsequently caused family members' status to evolve from owner-managers to owner-investors to passive investors. For instance, family businesses in the United States typically do not last beyond the first generation, and fewer than 10 percent of family-held companies survive into the third generation (Davis & Harveston, 2001; Bagby, 2004; Sonfield & Lussier, 2004). It is estimated that the average lifespan of a family business is 24 years, and that this is more or less the same number of years the founder remained in control of the business (Ungerer, 2018).

Nonetheless, the opposite has happened in emerging economies, where it has shown an increasing involvement of family control in businesses and management. Bhalla et al. (2016) also found that families play an active management role in more than 90 percent of family businesses in emerging economies. As noted above that family businesses are less individualistic which means that they emphasise group behaviour which is based on emotional ties, in-group similarities, and achievement (Matherne et al., 2011). The family businesses, thus, become a source of the social identity of the individuals belonging to the family (Hofstede, 2001) and the roles of family persist over a much longer period - multiple generations. For example, the Tata group and Murugappa group in India have spanned over 4 generations. Family businesses in emerging economies perform and evolve very differently than the benchmarks from developed

economies. Family characteristics and cultural differences are the distinguishing features in emerging economies (Bose et al., 2017; Uddin et al., 2014). Moreover, emerging-economy cultures are often more hierarchical and less individualistic than those in developed economies (Selvarajah et al., 2018; Bose et al., 2019; Cheng et al., 2021), which further elevates the influence of the family in the business environment. Therefore, these characteristics largely underpinned the differences of FCs operation in the emerging economies.

Moreover, family businesses in emerging economies follow a very different approach than developed economies (Bose et al., 2019; Cheng et al., 2021). They are among the world's most ambitious companies, as evidenced by their aggressive pursuit of growth and acquisitions and their willingness to accept risks (Monticelli, 2017). Family companies in emerging economies such as China, India, Malaysia, and others tend to like to be in diverse businesses to manage risks and grow different lines of business. The Midea group in China, for instance, which started in manufacturing bottle lids and car parts before diversifying into a vast arena of industries, most notably electronics. FCs also enjoys various competitive advantages in their home countries. Furthermore, family businesses especially the large ones not only contributing to the country in terms of job employment opportunities and economic growth but as well as local philanthropic which gains the support of their government. In the Philippines, the Ayala Foundation, a nonprofits branch of the Ayala Corporation, the country's largest conglomerate, and a family-owned business, states its mission as improving the quality of life for all Filipinos by eradicating poverty. Similarly, in India, the GMR Varalakshmi Foundation, an arm of the market-leading GMR Group, strives to "develop social infrastructure and enhance the quality of life of communities" throughout the country (Xi et al., 2013).

Interest in the internationalisation of family business is undoubtedly growing. There are two major types of entry modes for the internationalisation of a firm: non-equity and equity modes (Bose, 2016; Bose & Bristy, 2016). All those entry modes imply different levels of risk and hence different levels of rewards if undertaken. The non-equity modes category includes export and contractual agreements while the equity modes category

includes: joint venture and wholly-owned subsidiaries. Different motives influence a firm's decision to expand its business to international markets (Bose & Uddin, 2013; Bose & Uddin, 2014). Dunning (1988) explained that there are four important types of motives for firms to internationalise their businesses: i) resource-seeking, ii) market-seeking, iii) efficiency-seeking, and iv) asset-seeking motives. Given that firms from emerging economies such as Malaysia, China, India, or Russia do not have as many firm-specific assets as companies from developed countries, market-seeking and asset-seeking motives are the most important ones to acquire and augment assets as well as gain access to new markets and networks (Athreya & Kapur, 2009).

It is evident from the discussion that FCs are important groups of companies for both theory and practices about family business literature. They have many distinctive characteristics and success stories as well as other traits that attract attention across stakeholders and interest groups, including academicians and practitioners. How these firms have evolved and changes have taken place over the years across generations and what are unique features of these firms have therefore academic as well as practical values. In this scenario, we have conducted this study to see answer of following two research questions: 1) *what are the key features, characteristics attributed*

to FCs in the existing literature? and 2) *What are the changes observed in FCs across generations in current literature?*

The remainder of the article is constructed as follows. The next section covers the methodological framework. The third section constitutes the review and conceptual development for answering two research questions. The paper ends with the conclusions section covering key contributions and implications, limitations and future research directions.

Methodology

We have adopted a conceptual development approach from a literature review to evaluate the answers of our two research questions. We have thoroughly covered the literature on family conglomerates to find out details about their operations as well as operational traits. Then we have gone for thematic review of those literatures to find the traits of the FCs and also the changes in operations as the succession takes place in those FCs across generations. Then from those themes we have developed five specific theoretical concepts for explicating the traits of the FCs. In addition to that ten theoretical concepts were identified and elaborated for explaining the changes in the FCs operations across generations.

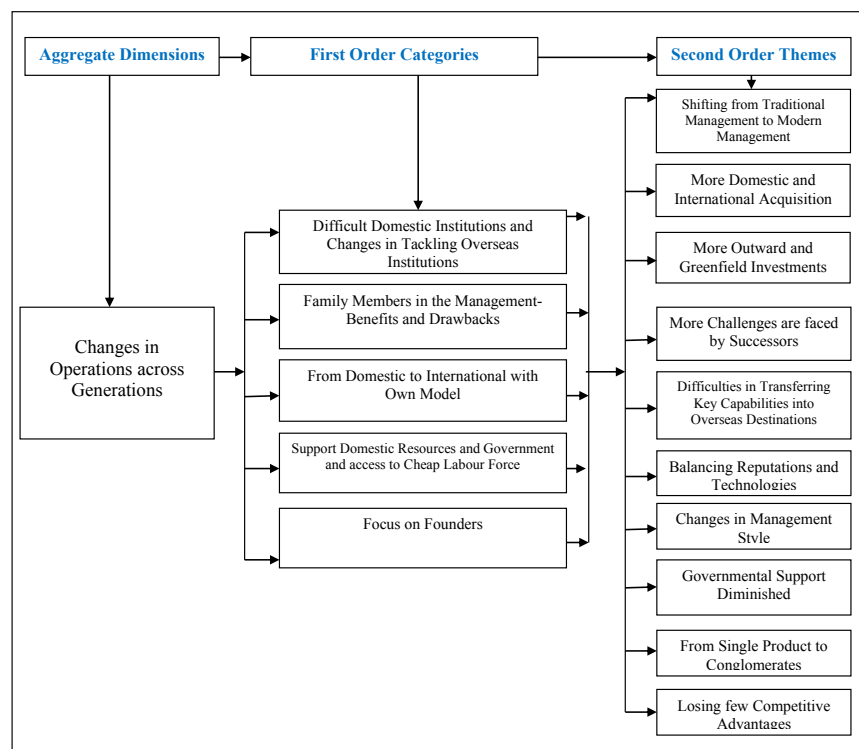


Fig. 1: Data Structure of Themes and Categories

Literature Review and Concept Development

Significant Traits of FCs

Family businesses are certainly among the dominating companies across the globe. Thirty-three (33%) percent of the US firms are family firms and the percentage is 40 in France and Germany. The ratio is whopping 70% in India, 55% South East Asia, and 46% in Brazil (Gallucci et al., 2015). These data indicate that family businesses are more dominating in emerging markets and their dominations are continuing for many generations. International family businesses that are dominating forces in the emerging economies have many different characteristics in comparison to the conventional large multinational firms from the western countries.

Difficult Domestic Institutions and Changes in Tackling Overseas Institutions

Emerging markets present different settings for doing business especially family business because for several reasons and mainly from the institutional perspectives (Ramamurti, 2009). The regulatory and inspirational frameworks are difficult; the normative and cognitive frameworks are diversified and often hard to comprehend (Cuervo-Cazurra & Genc, 2008). But, interestingly, the perception about family businesses among common people is remarkably good. However, family businesses from the emerging markets typically are not quite open to factors such as corporate social responsibilities, ethical openness, regular monitoring and also revealing all kinds of financial information (Tracey & Phillips, 2011).

Historically, family businesses from the emerging and developing countries used to do very well in their domestic territories. According to research works, this performance has to do a lot with their domestic institutional set-up (Wang et al., 2012). The domestic institutional set-up prevailed in these countries enabled them or somewhat made them tough and robust. These traits helped the firms to gain more success (Wright et al., 2014). However, in contrast, they were reluctant and not performing that well in changing the business environment, particularly in western countries.

The requirement of changing the styles of the operations and also the requirement for making overseas investments for the acquisition purpose of resources were important steps that were required to be undertaken (Mathews, 2006). Initially, the FCs were reluctant, but the scenario has changed a lot in recent years (Bhaumik et al., 2010). An example can be drawn from one of the largest emerging economies in the world, India, and its pharmaceuticals sector. This industry in the country historically used to do well in the domestic market and also had some limited success in international markets mainly through exporting. Currently, India produces more than 22% percent of the total worldwide generic products of pharmaceutical products. The credit for this huge success goes a lot to the family businesses of the country. The pharmaceutical firms of India in their initial days struggled because they had limited opportunities for domestic R&D. However, they were quickly recognised the importance of the acquisition of important overseas patents for improving their innovations and bringing new products. As a result, they have gone for overseas acquisitions and ensured a lot more patents and also this helped them to ensure a more dominant presence in the markets in the United States and European Union (KPMG, 2006; Athreye & Godley, 2009).

Family Members in the Management-Benefits and Drawbacks

Another major difference in family businesses in the emerging economies is the involvement of family members in the management. It is nearly 90% in India and the average is 70% in emerging economies in comparison to 60% in the USA and Europe. Successions across generations are also clearly observable from the family business of the emerging markets. These successions also brought some important changes in their operations in comparison to the early days. The average growth rate of family businesses is also 3-5% higher than those of the developed countries. However, family businesses from the emerging markets have experienced a bit lower rate of return in comparison to their western counterparts (Driffield et al., 2007; Ramamurti, 2009; Murphy & Lambrechts, 2015; Gallucci et al., 2015).

The control of family members over the business is an asset not liabilities (Hauck & Prugl, 2015). Due to a wide

range of reasons, family businesses tend to do well when controlled by family members. Involvements of family members in the business enhance the competitiveness and enable the firms to withstand more intense competitions. One important distinctive feature of family businesses are that attachment to the family and cultures of the family affect the interests of the managers from the family and subsequently also influence the decision-making process (Dreux, 1990; Lefebvre & Lefebvre, 2016). The presence of family veterans who were in charge of the surrounding can also influence the business (Jaskiewicz and Dyer, 2017). This is a major factor that often resists too many changes in the family firms despite the demand of time which urges for more changes in various areas of the operation (Miller et al., 2013).

Many critiques often complained about the family businesses in particularly from the emerging economies for their reluctance to bring about changes. But, many studies also report that family firms if wanted can bring the changes in quicker time in comparison to the traditional companies (Gammeltoft et al., 2010). It is also easier for the family firms to resolve the conflict in easier and quicker ways (though informal channels) with lesser expenses because of the high degree of involvement of the family members. Family firms also ensure the same efficiency in bring changes once they decide because of lesser hierarchy and bureaucracy (Child & Rodrigues, 2005). This is an important element given the fact, that family firms, although found to be a bit slow in accepting updated methods it is far easier for them to implement new things if they are convinced about the benefits of bringing such changes.

Few studies (Driffield et al., 2007; Ramamurti, 2009; Murphy & Lambrechts, 2015; Gallucci et al., 2015) on the FCs from emerging markets suggests that many FCs are not in favour of complete relinquishing of power. The argument is that in many cases family members know best about their business. Family businesses are also often specialised businesses that require specialised knowledge for that particular product or service. As often the case, the knowledge about the business gets transfer across the generations through the spillover effect. That means family members learn from each other as they live and do business from a common platform or also from the same house. For example, everyone who is engaged in a family business says for in shipping business know

the best about buying ships or the place for repairing it or maybe other aspects (Gammeltoft et al., 2010). Many such examples are available from the operations of FCs from the emerging markets. In Indonesia, a family business engaged in producing consumer goods was one of the early adopters of their very own information system adopted from the knowledge of the family members. This is because the family members know their business and customers as well as strengths and weaknesses better than anybody else. While, many believe that FCs from the emerging markets are outdated and believe in old fashion management, this example was a clear picture that knowledge from the family members can also be modern and may be a huge source of competitive advantage for the FCs from emerging markets.

As far as financing the projects are concerned, FCs most often prefer debt instead of equity investments. This is primarily because of their reluctance to concede the ownership plus the control over management. Equity financing is less risky but that gives significant voting rights to the shareholders, and therefore, the family persons of the FCs can lose control (Myers, 1984; Dewatripont & Tirole, 1994; Driffield et al., 2007). Thereby, not surprisingly the biggest source of financing for the FCs is their internal resources, and often they take money from one successful long run businesses to open a new type of business under the same name as a fresh venture to form a conglomerate.

From Domestic to International with Own Model

Family businesses from the emerging economies often found to be very strong in their home countries and also in a few neighbouring countries. The family brand name is a huge asset for them which often serves as a both reputation builder and also as a free marketing tool (Bhaumik et al., 2010). This huge reputation often served them to enter into the foreign markets with automatic built-in competitive advantages. Therefore, the story is that the reputation establishes for the FCs by the early generations of family members help the later generations to enter into the foreign markets (Gammeltoft et al., 2010). Family reputation and also a big name in the domestic territories help these firms to get maximum domestic institutional support and as a result they are less vulnerable to the economic slowdown as their businesses are often well protected (Dreux, 1990; Donckels & Frohlich, 1991). As suggested by several

studies (Kim et al., 2004; Bonilla et al., 2010; Bhaumik et al., 2010; Berrill & Manella, 2013) conducted on the family businesses from the emerging markets, these firms have brought a lot of changes in their operations since inceptions. In the early days FCs from emerging markets are least likely to invest overseas (Berrill & Manella, 2013). However, this has been changed a lot in recent times as some of their equities are now owned by a few foreign investors. This has resulted in a lot more outward FDI from the FCs of emerging economies (Bhaumik et al., 2010).

The research works of Zahra (2003) talks about three important traits of family firms which are more applicable to the context of emerging economies. Those are: “rejection of meritocracy” and “dependence on family ties” and “strategic simplicity”. In some cases, family firms tend to reject some outward attractive investments because it is difficult for them to imitate their original and long-lasting domestic business model in foreign destinations. The maintenance of the status quo and traditional methods of doing business by the family members also plays major roles. Therefore, family businesses reject meritocracy and opted for going with the motion as they sometimes fear changes and also inability about coping with the requirement for grasping many attractive and potential international investment opportunities (Johanson & Vahlne, 1977; Tsang, 2001; Zhang & Ma, 2009). In a similar line, larger FCs from emerging markets also favours heavily dependent on family and also believe in strategic simplicity. Over the years, strategic simplicity has changed a bit but dependencies on the families still a key attribute of the family business in particular from the emerging markets (Ramamurti & Singh, 2009; Bhaumik et al., 2010).

One major trait, as evident from many research works about family firms (particularly from the emerging economies) is their “aversion to scrutiny”. That means this type of firm is often quite reluctant to open themselves to external/foreign regulatory scrutinising, evaluation of financial information by investors, and also evaluation of credit rating agencies. This is one of the major reasons behind lesser foreign investments. However, this scenario has changed a lot in recent years as family businesses are also welcoming modern scrutiny and regulatory

frameworks (Bajaj et al., 1998; Cho, 1998; Bertrand et al., 2002; Baek et al., 2006). However, it is hard to categorise family firms as a homogenous group of businesses because differences can easily be traced to their behaviour regarding investments and other strategic areas (Garcia-Marco & Robles-Fernandez, 2008). Historically, it is evident that few family businesses are quite unwilling for intense FDI but there are exceptions as well. For example, family businesses from South Korea like LG and Hyundai was found to be investing very widely and in large volumes in overseas markets particularly in the west (Heugens et al., 2009).

Support Domestic Resources and Government and Access to Cheap Labour Force

The strategic advantages of these firms are often different and also vary across countries. For example, the main resource of the FCs from Russia, South Africa, and Brazil is the easy access to the domestic resources. Whereas, it is cheap labour forces for the FCs from India, China, and the Southeast Asian countries like Thailand, Vietnam, or Malaysia. In total contrast, high skilled labour forces are the main strength for the family businesses from Israel (Ramamurti, 2009).

One major difference FCs from emerging markets (from Mexico, India, Singapore, Turkey, South Africa, and Russia) enjoys over the FCs from developed countries (from Switzerland, France, Italy, England, Germany, and the USA) is the remarkable supports and backings from the government. These supports tend to help them a lot during the crisis and also during the transition period of successions from generation to generation (Bajaj et al., 1998; Bertrand et al., 2002; Baek et al., 2006). FCs from the emerging markets are united when lobbying for various kinds of institutional supports from the government. Those supports include tax benefits, subsidies, incentives for research and development, financing, conflict resolution, training, internationalisation, etc. (Winkeljohann & Andrew, 2012). This is also for ensuring that the next generations do not face many problems and also the transitions and successions across generations are less costly. Also, these keep their business in track with the holding of one of their key competitive advantages (Bajaj et al., 1998; Bertrand et al., 2002; Baek et al., 2006).

Focus on Founders

As suggested by several studies across many countries and especially on the family businesses and current FCs from the emerging economies focus towards the funders of these businesses. FCs and the founders are one of the most interesting businesses as well as entrepreneurial stories. Dhirubhai Ambani (Reliance Group, India), Ratan Tata (Tata Group, India), Joo Young Chung (Hyundai, South Korea), Byung Chull Lee (Samsung, South Korea), Vehbi Koc (Koc, Turkey, and Haci Omer Sabanci, Sabanci, Turkey) all these remarkably talented and inspirational people and their stories are world-famous. Many traits are apparent among the founders of these family businesses. In most cases they did not receive or got the opportunity to attain much of mainstream academic institutional education however they are ostensibly gifted, imaginative risk-takers, independent, men with high foresight, entrepreneurs, strong and agile decision-makers and the list go on and on. These peoples were also heavily bonded and popular with their employees through charisma and also humilities and also strongly embedded and bonded with the society through establishments of schools, colleges, universities, religious paces, healthcare facilities, etc. Therefore, these men were not only mere businessmen but a lot more than that. They were one in a million case and almost impossible to fill in their chair. Then, the question is how FCs have and will replace them or will find substitutes. The answer is that it is almost impossible to do so. But this can be mitigated a bit, as suggested by many studies by adopting modern business tools and technologies as evident in a few research works (Davis, 1968; Schein, 1983; Steers et al., 1989; Drozdow & Carroll, 1997; Mariussen et al., 1997; Dent & Randerson, 1997).

Important Changes across Generations

Shifting from Traditional Management to Modern Management

As famously quoted by Andrade et al. (2001) and also supported by many studies the general perceptions about family businesses and also FCs across generations are that “the first generation builds the company, the second preserves it, and the third squanders it”. It may not be the case for every family business but there are certainly

big challenges and onus on the later generations to keep the business in track and match the huge successes of the earlier generations. Earlier generations stuck with the plan to limit the management positions mainly from the family members and the founder is in supreme control. In contrast, to fulfill the expectations and keep the business in track and also modernising the operations, current generations of family members found to be hiring talented and promising business professionals and executives for important management posts and involving them in all kinds of decisions making. For example, a Turkish holding FC, Koc, and a Mexican FC, Vitro now have managers from both the USA and Europe in important managerial positions (Hwang, 2000).

More Domestic and International Acquisition

Big changes can be observed from the acquisition practices of the FCs across generations. For example, the average overseas acquisitions of all the pharmaceutical companies in India were worth only US\$116 million by 2004. But, in recent times it gets a big jump as a single company like “Dr. Reddy” was invested more than US\$500 million (Bhaumik et al., 2010). From, this it is clear that FCs from the emerging markets traditionally were more or less regional players. They were happy with their domestic businesses and not quite looked at the overseas prospects. Earlier generations of the family business owners from the emerging economies were predominately safe players but in recent days it has changed. Now, these FCs are also involved actively in a modern way of doing business (Tracey and Phillips, 2011).

For example, the largest international family businesses from India were in the automotive sector. FCs like Tata, Mahindra, and Ashok Leyland have brought significant changes in their business since 2000 (Ramamurti & Singh, 2009). Before that time, it was not that active in the international market. As international business participations were predominately in the form of exporting, these firms haven't seriously gone for international resource acquisitions or any forms of joint ventures. In only seven years (2000-2007) these companies have gone for a remarkable 22 Greenfield investments across 22 countries and the total investment worth US\$750 million. During the same period, their overseas acquisitions were also accounted for a big jump

and reached US\$3700 million (Pradhan & Singh, 2008). From, this evidence, it can be concluded that, FCs from emerging markets in initial days were reluctant in big investments. But, they bring changes as new time and new opportunities arise, and also business becomes different. As a result, these companies started to invest and also opting for modern ways of doing international business (Ramamurti & Singh, 2009; Bhaumik et al., 2010).

One major distinction from the early generations to the current generations of the FCs is the formation of joint ventures. FCs are now quite often forming such joint ventures for both strategic and competitive positioning and also for gaining advantages. For example, Koc of Turkey forms joint ventures with Ford, Mahindra and Mahindra of India with Peugeot, Vitro of Mexico with Alfa and Sabanci of Turkey with DuPont (Winkeljohann & Andrew, 2012). Diversifications are also major changing characteristics for the FCs which is more prevalent in their operation in later days in comparison to the earlier days. For example, Daewoo was a textile exporting firm at the beginning but later started to diversify and added more SBUs for entering businesses of construction and heavy industries, automobile, and also financial services (Winkeljohann & Andrew, 2012).

More Outward and Greenfield Investments

Exporting was the main mode of international business for the FCs and it remained the same for many years (Kim et al., 2004). Resource shortages and institutional diversities and also business knowledge or lack of it played major roles in selecting such modes of international business. However, the current generations of managers from the FCs (family members) are more open and less sceptical about other more modern methods of doing international businesses. As a result, changes are taking place steadily if not at a rapid pace (Kim et al., 2004). Current generations of the family members and owners of the FCs from the emerging markets are also more open about adopting new technologies (Kim et al., 2004). As a result they are found to be more engaged in opening more high tech diversification in comparison to the earlier days (Amsden & Hikino 1994; Kock & Guillen, 2001). One recent trend that is evident from the research works on FCs is the increase in the amount of cross-investment across different SBUs of the conglomerates

(Kim et al., 2004). When, FCs become large and diverse then it is hard for the family members to control. Cross-investment as practiced by, for example, a Korean fair trading conglomerate, has been found to be one efficient method for the family members to keep some power still under their control (Donga, 2001).

Few studies report that the FDI from emerging economies increased significantly in the last 10-15 years. The family business of this part of the world plays a major role in this case. For example, Ramamurti and Singh (2009) point out the huge growth of Indian FDI after the year 2000. Family firms from the emerging economies keep remain under the family regime and dynasty but their operations changed. This has become evident as the earlier generation or the earlier owners were more conventional and risk-averse. In contrast the current and generation are more prone towards new ideas and thus go for more outward and Greenfield investments in many parts of the world including Europe and the USA (Moores, 2009). Few studies are found to be a bit sceptical about the role of family members in the internationalisation decision making of family businesses. For example, Zahra (2003) implicates that active participation in the management by the family members of a family business makes it difficult for those firms to go for rapid internationalisation. The reason behind this position can be diversified including the fear of the family members about losing control over the firms and also lack of required skills (available to the family members) which are needed for doing international business in critical overseas environments.

The conclusion of Zahara (2003) seems to be the case for most of the FCs from the emerging markets but the scenario has changed a lot in recent times. The literature of family business from the emerging markets reports many exceptions which are contrasting to the idea of Zahara (2003). For example, investigating the Chinese owned family businesses from Singapore, Tsang (2001) have identified some strategies which are opted by the FCs for their international operations. FCs seem to be identifying new strategies for doing international business rather than closing the gate due to fear or anxiety. Those strategies include transplanting their family cultures into overseas operations. Therefore, it is evident that, unlike the earlier generations of the family business owners, the new generations do not afraid of taking chances and going for international expansion. They tend to find new

ways and promote their culture of doing business, even in overseas destinations.

More Challenges are Faced by Successors

A stream of the literature suggests that the performance of family firms particularly FCs gets better if the founding family member is still in charge of the business (Villalonga & Amit, 2006; Andres, 2008). Therefore, when a founder is in charge, he can guide the next generations in proper ways, and transformations can take place properly. An example can be cited from the giant Indian FC Tata, when the founder Ratan Tata was looking for somebody who can replace him and he brought an outsider to appoint him as the CEO. The firms faced a crisis and only bailed out by the founder himself (Becker-Ritterspach & Bruche, 2012). However, few studies (i.e., Habbershon & Williams, 1999) have questioned regarding attributing strategic advantages to the family firms because of the controlling impact by family members. These studies specifically point towards two important aspects. The first one is that, such attribution of competitive advantages to the family firms is only becoming viable if it is proved that the other types of firms find it difficult to gain such advantages because of their non-family management. Secondly, the strategic advantages of the successful family business resulted because of some inherent traits and success mantras of the early generations of family businesses. But, attributing such success forever is wrong given the fact that, those family businesses from any parts of the world may and will find it difficult to find the same quality of managers, inspirational leaders, and businessmen across all generations.

The first generations of the FCs of the emerging markets were remarkably innovative and imaginative regarding successful incubation and realisation of the business ideas. This makes the life of the next generations very easy. The next generations only need to keep the pace and hold the business in track (Kim et al., 2004). Few major differences in financing can be cited from the earlier generations in comparison to the current generations of FCs from emerging markets. Traditionally, FCs mainly look for internal financing and in extreme cases they used to sell their assets for financing. Their third biggest source was bank loans. But, as of today, these parties changed significantly as FCs look for equity financing and also

other forms of debt financing (Winkeljohann & Andrew, 2012).

Across generations one clear distinction can be traced from the management of the family business over the years. In the early days, the family business was all about “will power, hard, work, dedication, individual talent, charisma, and dynasty” etc (Gammeltoft et al., 2010). But, today, the most talented and gifted businessman be it a remarkably successful family business entrepreneur, will find it immensely hard to run a business single-handed especially if that is an international family business (Pittino et al., 2018). For example, in an emerging market in Brazil, many large FCs developed a common governance and management style during the 1990s. But, a few years later, they realised that such a strict model is creating impediments when these firms are going for international venturing. As a result, they got rid of such a model and looked for more diversified and contingency-based management as the demand of the situation (Driffield et al., 2007; Ramamurti, 2009).

Difficulties in Transferring Key Capabilities into Overseas Destinations

One big problem often faced by the family businesses of the emerging markets in their international operations is the problem of transferring their key capabilities into overseas destinations. This has a lot to do with the huge institutional as well as environmental diversities and differences (Ramamurti, 2009). One major strategic change that is now practiced by the FCs current generations unlike their predecessors is the active participation of roadshows and trade fairs in the western countries. These are mainly for developing networks, getting accustomed to the business environment, and also mitigating or ousting the negative perceptions about these FCs existed in the west (Douma et al., 2006). In the western countries family members involved in the family have changed their roles significantly in the past 200 years or so. The scenario is different in emerging markets. More than 90% of the family businesses are still completely or at least partially controlled by the family members. Most of these businesses have become conglomerates from a single business. They have also gone for growth strategies sequentially. Starting from intensive (with current product and current market), then integrative (with current

product and new market), and diversified (with new product and new market) strategies. The roles of different generations of family business managers also play crucial roles. Whereas earlier generations prefer intensive and integrated growth strategies the later generations are more innovative and thus prefer diversifications (Driffield et al., 2007, Ramamurti, 2009; Murphy & Lambrechts, 2015; Gallucci et al., 2015).

Balancing Reputations and Technologies

The biggest strength of the family businesses in emerging markets is the credibility and trust they enjoy from all the stakeholders. That is one of the main reasons behind keeping the business under the control of the family members over many generations (Gammeltoft et al., 2010). They always fear to lose the reputations if the business goes beyond their control and managed by common people. Sometimes, they sacrifice modern business intelligence that is available among modern-day business executives. But, they are unwilling to concede their brand names and reputations of the early generations who have to establish the business and make those big ones (Lucky et al., 2011). To keep controlling the business and also fulfilling the demand of time it is always a big challenge for the family business from the emerging markets to make a proper combination. Therefore, the current generations of those FCs bring many changes in their operations. This is for ensuring that family businesses do not lag behind the current pace of doing business and become strategically incompetent. For example, an Indonesian FC operates by making a trade-off between family control and also ensuring the excellence of modern-day business management. The members are in the management but unlike their first generations predecessors they do not take all the decisions on their own. They have professionals and experts who are competent in their respective fields like advertising, investment decisions, branding, etc. The family owners value their advice and take decisions accordingly. These changes in the current generations ensure its strategic benefits as well as modern upgradations of the business (Pittino et al., 2018).

Changes in Management Style

Family businesses in emerging markets are also famous for the so-called “stewardship” concept. This concept is

surrounded by few terms such as “patience, equanimity, generosity, cohesion, sense of purpose, values, and trustees” etc. This means that family firms often strive for building trust and commitment and also honesty from the family members for ensuring smooth successions (Luo & Tung, 2007). This is important given the fact that the family businessmen who have established the business with unlimited hard works and dedication do not want to lose the momentum due to poor successions. Therefore, equal (if not better) and honest efforts are needed from every generation so that the businesses keep doing well. For example, in India (also in many emerging economies) few FCs and other forms of family businesses fallen apart due to poor successions and turbulent transitions. But, many are successful because of the establishment of the stewardship from the family members. That ensured long-lasting business success for those FCs (Manolova et al., 2008).

Governmental Support Diminished

For instance, government support is a key factor for development in family businesses in emerging countries since with the given support they will feel more confident in taking risks and in developing their businesses (Kim et al., 2004). A study conducted by Monticelli (2017) shows that in emerging economies, the government is perceived as valuing family businesses in their own countries and hence providing a considerable amount of support for the family businesses.

It is also evident that the earlier generations of the FCs enjoyed more government favours and support in comparison to the current generation. This is normal and predictable given the fact that, governments are more likely to support new businesses in comparison to matured old businesses. This is also a major challenge that has to be dealt with by the current generations of FCs owners (Whetten, 2009; Welter, 2011). For example, the Hyundai Group one of the largest FCs from the emerging markets secured over \$300 million for getting rid of the short term financial crisis. This is unlikely to be taken place in anyplace around the world nowadays (Chung, 2000; Donga, 2001).

From Single Product to Conglomerates

Normally, FCs have been operating for many years. The first and second generations used to do business with

one or two products. In the third to next generations, those firms become conglomerates from simple family businesses. In western, FCs, the founders used to stay in the management. The situation remains the same for second to third generations. But afterward, they prefer to stay as an owner or as shareholders with the majority of shares. The case is contrasting emerging economies where the family members are still mostly in charge of the management of the FCs (Ben-Porath, 1980; Granovetter, 1995; Winkeljohann & Andrew, 2012).

In the starting days and also in the early few years of the businesses, FCs focused mainly on a single business. They also invested in that and out all of their efforts. This, however, has changed a lot in recent years. Now those family businesses have become family conglomerates with more than one strategic business unit. The products and services are also diversified and sometimes do not have any linkage or similarities with each other. Besides, now many FCs also invest their money in other businesses as shareholders in which they do not have any role to play in the management and also in the decision-making process. This is a big change across generations. For example, one of the largest FCs in the world, The Mahindra and Mahindra of India, was an automobile company and still their main focus is on that particular area and in related business. But, that FC now invests in a wide range of other businesses (Khanna & Palepu, 1999; Guillen, 2000; Kock & Guillen, 2001).

Losing Few Competitive Advantages

One of the advantages that received by the early generations of the FCs is that in most cases these firms were the first ones to offer the selected products and services in their domestic markets (Guillen, 2001). For example, Koc was the first producer of washing machines and automobiles in Turkey, Mahindra & Mahindra was the first one who manufactured tractors in India, Hyundai was the first South Korean business firm who manufactured automobiles in the country, square was the first producers of pharmaceuticals products in Bangladesh, etc. These firms always got the advantage of the first movers which is not available for current generations of managers of those FCs. Therefore, they have lost one of the major strategic competitive advantages which have to be negated from the other sources.

Conclusion

From our study, it is evident that FCs are important firms for emerging economies. Their successes are remarkable in their domestic territories and have attracted the attention of many researchers and practitioners. These firms are unconventional, exceptional yet achieved tremendous growth and also profit over the years. This success has been mainly attributed to their inspirational and multi-dimensional founders. When those highly diversified skilled entrepreneurs were in charge, the FCs had never required looking back and thinking about a lot of new ideas and strategies. But, when they are no longer available, FCs struggled to find the same tune and hold on the same degree of success. But, they are striving to gain momentum back by following the modern trend of business and engaging themselves in more outward investment and also investing a lot in research and development and also for technological upgradation.

FCs always enjoy domestic institutional support and good reputations. However, their reputations in the overseas market regarding financial and legal transparencies are not good. The family members are the best servant for these firms who historically ensured low-cost transactions for them. These family members also considered their biggest resources. The most frequent criticism about the current generations of FCs family members is that they have failed to match the successes of their inspirational founders. As we all know those founders were one in a million individuals who are very hard to replicate. But, current and future generations of FCs family members are trying and will try to match those successes of their inspirational predecessors by adopting modern methods of doing business.

Our research is mainly a descriptive review of literature for answering two specific research questions covering the main features of FCs and also the changes took place in these firms across generations. We acknowledged the fact that we did not collect any empirical data to see the changes in the FCs, future studies can do so and make more relevant contributions. We looked at many FCs form the emerging market but mainly from the studies done by other researchers, future studies can mitigate this by collecting data from the FCs of different countries for more explicit evaluations. We only looked at the FCS of

emerging markets but future studies can concentrate on FCs from both western and emerging markets for drawing a more comprehensive and comparative picture.

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