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Corporate governance in the largest family firms in Latin America

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Abstract

Purpose – The aim of this study is to explore and understand corporate governance patterns in family firms across Latin America. This is in response to several calls in the academic literature urging for more empirical studies in corporate governance in developing regions.

Design/methodology/approach – Following a configurative perspective, a hierarchical cluster analysis is applied to a sample of the 155 largest Latin American family firms.

Findings – The authors identify three main corporate governance configurations across Latin American countries. First, the exported governance model resembles many characteristics of Anglo-American and Continental Europe governance patterns of public listed control, having independence from the board of directors, and mainly hiring non-family management. Second, the super-familial governance model describes private ownership where one or multiple families control both the board of directors and the top-management team. Finally, the hybrid governance model is the largest cluster identified in the sample and combines governance characteristics of both of the foregoing configurations. This configuration exhibits ownership structured through public offerings of shares combined with leadership of the board of directors by a family member as well as moderate family influence on the board and management.

Originality/value – This is the first study to investigate corporate governance in the largest listed and privately-owned family firms in Latin America. The article extends the conversation on family firm heterogeneity and contributes to the configurative approach in the family business field by offering a cross-country perspective and identifying meaningful taxonomies that are applicable beyond national boundaries.

Keywords Family firms, Latin America, Board of directors, Governance, Configurative approach

Paper type Research paper

Introduction

Family business research is evolving towards finer-grained analyses of the heterogeneity in family firms (Memili and Dibrell, 2019) because specific differential characteristics of family firms such as goals, governance, and resources can lead to great variations in organizational behavior and firm performance (De Massis *et al.*, 2019). One of the main sources of heterogeneity among family firms is corporate governance which is commonly used to identify different classifications of family firms (Hernández-Linares *et al.*, 2017) that can represent multiple successful arrangements (Nordqvist *et al.*, 2014; Basco and Rodríguez, 2011). As organizations are affected by coercive, mimetic, and normative forces that can lead

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to institutional isomorphism (DiMaggio and Powell, 1983; Scott, 2008), it has been suggested that family-controlled firms across emerging markets are likely to exhibit similar corporate governance configurations (Aguilera *et al.*, 2011). However, in spite of its importance for unveiling alternative dimensions of homogeneity/heterogeneity in family firms (Basco, 2015), the governance configurations of such firms across countries have not yet been empirically investigated.

To address the aforementioned gap, the authors explore the existence of common patterns with respect to corporate governance structures beyond the country level. To observe these common cross-country governance arrangements, a configurational approach (Aguilera *et al.*, 2011) is followed because of its holistic understanding of the governance elements that can be applied across countries while facilitating a classification of different types of family firms. In other words, the configurational approach is suitable for cross-country examination of corporate governance patterns of family firms that are beyond the influence of one specific country and allows for the observation of configurations across countries (Richter *et al.*, 2016). Therefore, the overarching research question of this study is as follows: *What are the key configurations of companies with similar patterns of corporate governance across countries in Latin America?*

The authors focus on the Latin American context for two important reasons. First, from a practical point of view, the family firm is a dominant form of organization in Latin America (Müller *et al.*, 2018) and it is estimated that 40 percent of the largest Latin American firms are family controlled (Vázquez, 2017). Second, from an academic point of view, there is a dearth of literature vis-à-vis the systematic exploration of family firms in this region (Vassolo *et al.*, 2011). To answer the research question, a "fact-based" approach is implemented aiming to identify compelling empirical patterns based on corporate governance dimensions through descriptive and hierarchical cluster analyses.

This article identifies three main clusters of firms across countries regarding their governance configurations: "exported governance," "super-familial," and "hybrid" models. The *exported governance model* resembles many characteristics of Anglo-American and Continental Europe corporate governance patterns that largely favor public control, independence on the board of directors, and non-family management (Aguilera and Jackson, 2010). Most of the firms in this group are listed on Latin American stock exchange markets and they are controlled from outside Latin America with family control reaching almost 60 percent of shares. The firms in this configuration are the oldest in the sample and are mostly managed by non-family members. The *super-familial governance model* mainly includes firms privately controlled by families from Latin America, with shareholding concentrations of 80 percent (above the super-majority threshold which is generally at two-thirds of shares), and total family control over the board of directors and top management team. In this model, the majority of the seats on the board of directors and the positions of President of the board and CEO are generally occupied by family members. Finally, the *hybrid governance model* shares some governance characteristics of both of these foregoing configurations. This model resonates with the exported governance model in terms of control, as these firms are mainly listed on stock exchanges, and in terms of family-controlled shareholding, which is above 50 percent but below 60 percent (reaching a simple majority but not a super-majority). The firms in the *hybrid governance model* also resemble some characteristics of the super-familial governance model such as that the controlling families are from Latin America rather than from elsewhere and that the family has a high level of influence on the board of directors, where the President is always a family member. This model exhibits the highest founder presence and a moderate influence of family members on the top-management team, where above 40 percent of CEOs belong to the controlling family.

This article contributes to current debates on family firm heterogeneity because this is the first study to investigate corporate governance across the largest listed and privately owned

family firms in Latin America. Thus, the authors extend and augment the conversation on family firm heterogeneity (Daspit *et al.*, 2018). Building on previous studies acknowledging that successful governance can be organized in more than one way (Nordqvist *et al.*, 2014; Basco and Rodríguez, 2011), this paper contributes to the configurative approach in the context of family business research by incorporating a cross-country perspective and finding configurations that are applicable across countries. This means that the classification presented herein goes beyond single country considerations (e.g. Basco and Rodríguez, 2011; Miller *et al.*, 2013) and presents transversal configurations with types of family firms with similar governance characteristics across countries. Following recommendations by Misangyi and Acharya (2014), evidence is put forward for a small number of successful corporate governance configurations across countries and, therefore, provides support to arguments proposing that family firms are likely to rely on a limited bundle of such configurations across emerging regions (Aguilera *et al.*, 2011).

The remainder of this article is organized as follows. Section 2 introduces the configurative approach and presents research on family firm governance from this perspective to substantiate the research gap and the question addressed by this study. Section 3 elaborates on the specific case of Latin America as the research setting and delineates methodological details. Section 4 presents the results and discusses the main findings. Finally, conclusions are offered in Section 5 including implications, limitations, and suggestions for future research in this domain.

Theoretical framework

The configurative approach in the family business field

The term organizational configuration denotes a "multidimensional constellation of conceptually distinct characteristics that commonly occurs together" (Meyer *et al.*, 1993, p. 1,175). Configurations, archetypes, or gestalts result from the clustering of numerous organizational dimensions or attributes depicting patterns at different levels, such as institutional context, economic environment, industry, ownership, governance, and key decision makers. Since organizational attributes are interdependent and usually change discretely or intermittently, they tend to fall into coherent patterns, hence limiting the number of observable configurations (Meyer *et al.*, 1993). The configurative approach implies equifinality, meaning that maximum performance can be the result of multiple unique organizational configurations. It also emphasizes the critical role of fit among the parts, implying that organizational elements derive their meaning from the whole and cannot be understood in isolation (Delery and Doty, 1996).

Research through the lens of the configurative approach is often reflected in typologies or taxonomies. While typologies theoretically conceptualize and characterize groups before placing organizations within their classification systems, taxonomies utilize empirical methods and allow organizational groups to emerge from data before being characterized (Rich, 1992). Typologies and taxonomies are important "as the basis for a broad spectrum of organization inquiry" aiming to understand the impact of structural differences on organizational performance and they are both valuable for synthesizing empirically grounded configurations from multiple attributes (Meyer *et al.*, 1993, p. 1,183). Taxonomies developed through the lens of the configurative approach that cover a wide range of variables and identify archetypes of fit and effectiveness over time are "a powerful tool for mimicking the phenomenological world, for ordering the data of that world so that it is both understandable and easily retrieved, and for better understanding and testing theories about that world" (Rich, 1992, p. 776).

In the family business field, researchers have recently developed typologies and taxonomies to distinguish among different types of family firms and to increase collective understandings regarding the fit between structural and organizational features (Nordqvist

et al., 2014). The configurative approach in the family business field has produced around 23 typological and 14 taxonomical studies according to a recent review by Neubaum *et al.* (2019). Through the configurative approach, researchers have produced important results discovering combinations of family and business attributes that result in a specific family firm behavior such as the identification of ideal profiles of family business management that are associated with high performance (Basco and Rodríguez, 2011).

Importantly, the configurative lens suggests that corporate governance characteristics are a principal source of family firm heterogeneity (Hernández-Linares *et al.*, 2017). The next section provides an in-depth review concerning how the configurative approach has been applied to corporate governance in the context of family firms.

The configurative approach applied to corporate governance of family firms

Corporate governance refers to processes and structures used to direct and manage the business organization to achieve a set of goals for the benefit of shareholders and other relevant stakeholders (Keasey *et al.*, 1997). Corporate governance is one of the most researched topics in organizational studies in general (Hambrick *et al.*, 2008) and in the family business field in particular (Debicki *et al.*, 2009, p. 157). Family firms are a "distinct organizational context" related to "unique governance issues" (Goel *et al.*, 2014, pp. 242–243).

Corporate governance is different in the context of family firms mainly because organizational goals are more diverse in such firms and also aimed at benefiting the controlling family as a key stakeholder (Vazquez and Rocha, 2018). This implies that different families pursue different combinations of goals that usually go beyond financial returns, such as family control and influence, family identification, family social ties, and family dynastic succession (Berrone *et al.*, 2012), therefore affecting governance tasks and dynamics. Furthermore, the family that controls ownership influences governance processes and structures through different degrees of involvement. Due to the dynamic characteristics of the family, the nature of family involvement will change over time, hence influencing incentives, authority structure, and norms of legitimacy (Nordqvist *et al.*, 2014). Literature on corporate governance in the context of family firms has largely focused on distinctions between family and non-family firms and has downplayed the heterogeneity within family firms which has thus unduly impacted on understanding of the different governance structures and dynamics that exist in different types of family firms (Nordqvist *et al.*, 2014).

The configurational approach in the context of family firms is recommended to better understand the bundle of corporate governance elements that are likely to be influenced by the presence of family owners (Aguilera *et al.*, 2011). Several family firm configurations have been used to theorize about governance mechanisms leading to high performance in firms with varied levels of family involvement in ownership and management. However, empirical research focusing on elements of corporate governance in family firms using the configurative approach is scarce, with only six taxonomical studies identified in the review by Neubaum *et al.* (2019). These existing taxonomies consider several governance dimensions in their classifications such as family involvement in ownership and management (Uhlaner, 2005; Westhead and Howorth, 2007), board of directors' tasks or functions (Basco and Rodríguez, 2009), family involvement on the board of directors (Basco and Rodríguez, 2011), nonfamily involvement in governance (Dekker *et al.*, 2013), and family leadership regarding ownership (Miller *et al.*, 2013). However, these existing taxonomies were developed by exploring family firm corporate governance in single countries, all of which are developed economies.

Cross-country governance configurations of family firms

The institutional context impacts the organizational environment, therefore affecting variations in patterns of corporate governance (Aguilera and Jackson, 2003; Filatotchev,

2008). Institutional theory explains that institutional elements affect the structural characteristics of organizations and lead to a process of institutional isomorphism resulting in homogeneity in organizational characteristics (DiMaggio and Powell, 1983; Scott, 1987; Scott, 2008). The mechanisms described to be behind the process of institutional isomorphism are coercive, mimetic, and normative forces. Coercive isomorphism "results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function" (DiMaggio and Powell, 1983, p. 150). Mimetic processes are those that encourage imitation of a limited set of models as a response to uncertainty. Finally, normative pressures are forces originating primarily from professionalization, where one important aspect is the filtering of individuals involved in the organization.

While national institutional environments may have particular characteristics that explain some of the heterogeneity in governance configurations across countries, existing examinations of national models may be institutionally incomplete "because of the multilevel interactions spanning from international to national" policies and due to cross-border interactions among stakeholders (Aguilera and Jackson, 2003, p. 461). Therefore, different configurations of corporate governance patterns across countries can be theorized suggesting that family-controlled firms across emerging markets are likely to rely on a small number of corporate governance bundles (Aguilera *et al.*, 2011). Institutional theory indicates that this could be because of coercive, mimetic, and normative forces operating transversally across countries, something leading to cross-country institutional isomorphism and therefore to cross country governance configurations of family firms.

The fact that existing family firm taxonomies around governance emerge from single-country data, and only from developed economies, highlights a research gap: family firm heterogeneity in terms of corporate governance characteristics needs to be investigated across a wider array of national contexts. On the one hand, there is a lack of empirical studies on family firm corporate governance configurations across countries. This hinders progress vis-à-vis exploring and understanding heterogeneity in family firms through the analysis of contextual uniformities and variations in organizational configurations (Basco, 2015). On the other hand, there is no evidence in the form of taxonomies in developing economies. Therefore, these limitations guide this research which seeks to investigate the effect of context on configurational governance characteristics and aims to explore the existence of common patterns of corporate governance structures beyond the country level.

To address the aforementioned gap, the configurative approach needs to be applied in a multi-country setting to advance research conceptually through the development of parsimonious categorizations, as well as methodologically, by identifying interrelationships and developing patterns describing governance configurations in specific countries or across groups of nations. The authors use the configurational approach because it is a useful lens to examine types of firms across countries (Aguilera *et al.*, 2011) and because of its strong explanatory power in regard to the institutional contexts affecting corporate governance (Haxhi and Aguilera, 2017). The configurational approach contributes to a holistic understanding of the common corporate governance elements that hold together across countries and determine a classification of different types of family firms. This approach is suitable for the cross-country investigation of corporate governance patterns of family firms that are beyond the influence of one specific country and allows for the observation of homogeneous configurations across countries (Richter *et al.*, 2016), therefore incorporating a new perspective to the study of alternative dimensions of homogeneity/heterogeneity in family firms (Basco, 2015). Finally, research in a developing region is necessary to overcome the dearth of cross-cultural management knowledge beyond North American or European contexts (Tsui *et al.*, 2007).

Therefore, in sum, the overarching research question investigated is as follows: *What are the key configurations of companies with similar patterns of corporate governance across countries in Latin America?*

Methodology

Sample

For empirical purposes, the population of this study is framed in terms of the largest public and private Latin American family firms. Around 40 percent of the largest firms in this region are family controlled (Vázquez, 2017; Carrera *et al.*, 2019). Generally speaking, while Latin America "is the second most important emerging region in the world, after Southeast Asia, with an aggregated gross domestic product (GDP) roughly that of China's and three times larger than India's" and where families play a fundamental role in the business sector, relatively little family firm research concerning the region has been published (Vassolo *et al.*, 2011). Additionally, research on family firm governance in Latin America lacks a systematic approach with a focus on a small number of countries (Cortés and Botero, 2016).

From this population of firms, the sample is derived from the ranking of the 500 largest Latin American Companies published by América Economía (2015), which is based on annual net sales volume as per end of December 2014. Indexes such as Standard & Poor's 500 (S&P 500), and rankings including the Fortune 500 (published by Fortune Magazine) and Business Week 1,000 (published by Business Week Magazine) have been widely used to compare family and nonfamily firms (Villalonga and Amit, 2006; Stavrou *et al.*, 2007).

The ranking of the 500 largest Latin American firms excludes financial institutions (e.g. banks, insurance companies, and pension funds) as some of their characteristics "are not directly comparable to industrial and other service firms" (Martínez *et al.*, 2007, p. 88). Firms which were not family controlled and subsidiaries which were consolidated in holding entities already considered in the ranking are also excluded. This database cleaning yields a final sample of 155 family firms. This sample size for very large family firms is similar to the 141 S&P Index family firms analyzed by Anderson and Reeb (2003, 2004), and to the 125 and 128 Latin American firms in the studies by del Carmen Briano-Turrent and Poletti-Hughes (2017) and del Carmen Briano-Turrent and Rodríguez-Ariza (2016).

Variables relevant to corporate governance in family firms were selected based on the extant literature and are described in the next sub-section. A cross-sectional dataset was constructed collecting information from the mentioned ranking and other sources such as firms' public information (like yearly financial statement and corporate webpages), information included in previous rankings by América Economía, data disclosed by specialized sources such as Bloomberg (www.bloomberg.com) and the Global Family Business Index (EY and University of St.Gallen, 2015), as well as relevant interviews and articles published by various local media outlets.

Measures

Family firms. In line with definitions used in previous research (La Porta *et al.*, 1999; Faccio and Lang, 2002; Miller and Le Breton-Miller, 2006; Bjuggren *et al.*, 2011) listed family firms are identified on the basis of family involvement in ownership. It was suggested that majority owners that control above 20 percent of shares in listed firms can exert control through pyramiding, control chains, dual class-shares, and appointment of members of the board of directors and managers (La Porta *et al.*, 1999; Claessens *et al.*, 2000). Therefore, a listed company is considered to be a family firm when its major shareholding is owned by one or more family members who together control at least 20 percent of the voting rights. Privately held companies are identified as family firms whenever their major shareholding is owned by one or more family members who together control at least 51 percent of the voting rights.

Corporate governance variables. The core governance dimensions of family firms considered herein are as follows: (1) ownership and control, (2) board of directors, (3) top management, and (4) generational involvement (Miller and Le Breton-Miller, 2006; Nordqvist *et al.*, 2014). Table I describes how these dimensions are measured.

Regarding ownership and control, concentration of family ownership (SHARE) measures the shares owned by the family. This variable is utilized in many studies on corporate governance in family firms to address family power and control and its effect on performance (Corbetta and Salvato, 2004; Martínez *et al.*, 2007; Pindado and Requejo, 2015). Second, a dummy variable (LISTED) indicates if the firm is listed on the stock exchange. Third, to address the fact that local boards of foreign subsidiaries "often play no real role in the governance of the subsidiary" (Kiel *et al.*, 2006), a strict categorization, is enforced and all entities directly listed or finally controlled by a listed entity are identified as having listed control (CONTLISTED). Fourth, in line with studies stressing the relevance of local governance in developing economies (Ebel Ezeoha and Okafor, 2010), a dummy variable differentiates family firms governed from Latin America from those whose controlling parties and headquarters are located elsewhere such us the United States, Europe, or Asia (LATINCONTROL).

Moving on, the share of members of the controlling family on the board of directors (FAMBOD) is included. Additionally, two dummy variables indicate that (1) a member of the controlling family is President of the board of directors (FBODPRES), and (2) the President of the board of directors is also the CEO of the firm/head of the top management team (DUALCEOPRES). Finally, the number of members of the board of directors (SIZEBOD) is considered as well as the proportion of women on the board (DIVERSEBOD). When firms were identified as not being controlled from Latin America, and therefore reporting as subsidiaries to multinational parent companies, and whenever these firms were not larger than the parent nor had worldwide responsibility for a product line, the board of directors of the parent company was considered to be effectively active in terms of decision-making power as it usually takes responsibility for the subsidiary's governance (Kiel *et al.*, 2006; Du *et al.*, 2011).

Some family firms are led and managed by family members, and "this management takes the form of a founder or family descendent who acts as the CEO" (Miller and Le Breton-Miller, 2006, p. 77). Accordingly, a dummy variable indicates the case when the CEO of the firm is a member of the controlling family (FCEO), and another dummy describes the case where the CEO is a member of the board of directors although not necessarily the President of the board (CEOINBOD).

Involvement of multiple generations of a family in a business is signaled as a source of advantages and challenges (Miller and Le Breton-Miller, 2006, p. 83). To address this dimension, the number of generations of the controlling family currently involved in the board of directors and top management (CEO position) of the family firm (GENERATIONS) was also considered, and a dummy variable captures the presence of the founder of the firm either on the board of directors or the chief executive position (FOUNDER).

Control variables. Finally, to better describe the largest family firms in the region, several control variables were operationalized such as the firm's nationality, industry, and age. Brazil, Mexico, Chile, Argentina, Peru, and Colombia account for 97 percent of the firms in the sample. Industries are based on the classification by América Economía and grouped by large sectors. When a large business group included several activities and was categorized by América Economía as "multi-sector," a detailed firm analysis was undertaken and the group was categorized in the sector corresponding to the largest of its activities measured by annual sales and employees (in all cases there was an activity of a large multi-sector group that accounted for at least 51 percent of the workforce employed in just one of the categorized sectors). Finally, as sales are among the three most used measures of size in the field of

Dimension	Variable	Description	Units	Mean	S.D.	Min	Max
Ownership and Control	SHARE	Shares owned by the family	%	65.12	24.98	20.20	100
	LISTED	Firm listed in the Stock Exchange	Dummy	0.50	0.50	0	1
	CONTLISTED	Firm listed or controlled by a listed company	Dummy	0.63	0.48	0	1
	LATINCONTROL	Governance based in Latin America		0.78	0.42	0	1
Board of Directors	FAMBOD	Share of family in the board of directors	%	45.96	29.58	0	100
	FBODPRES	A family member as president of the board	Dummy	0.86	0.34	0	1
	DUALCEOPRES	CEO duality (president + CEO)	Dummy	0.30	0.46	0	1
	SIZEBOD	Number of members of the board	Number	9.15	4.75	1	25
	DIVERSEBOD	Proportion of women in the board	%	10.64	12.65	0	50.00
Management	FCEO	A member of the owning family as CEO	Dummy	0.55	0.50	0	1
	CEOINBOD	CEO as a member of the board	Dummy	0.62	0.49	0	1
Generational Involvement	GENERATIONS	Number of overlapping generations in board	Number	1.50	0.59	0	3
	FOUNDER	Presence of the founder in the board or as CEO	Dummy	0.33	0.47	0	1
Other control variables	BRA	Brazil	Dummy	0.40	0.49	0	1
	MEX	Mexico	Dummy	0.31	0.46	0	1
	CHI	Chile	Dummy	0.10	0.31	0	1
	ARG	Argentina	Dummy	0.09	0.29	0	1
	PER	Peru	Dummy	0.06	0.23	0	1
	COL	Colombia	Dummy	0.03	0.16	0	1
	OTH	Other countries	Dummy	0.01	0.11	0	1
	RAWMAT	Raw material industry	Dummy	0.13	0.34	0	1
	UTILITY	Utility industry	Dummy	0.02	0.14	0	1
	MANUFCT	Manufacturing industry	Dummy	0.44	0.50	0	1
	RETAIL	Retail industry	Dummy	0.26	0.44	0	1
	SERVICES	Services industry	Dummy	0.15	0.36	0	1
	SIZE	Annual sales	MM USD	5.246	7,690	1.257	57.543
	AGE	Years in business	Number	65.00	37.44	1.00	204.00

Table I.
Data description and summary statistics

corporate finance (Dang and Li, 2015), financial size is measured utilizing a continuous variable in the form of annual revenues in USD (SIZE).

Analytical procedure

Based on prevailing corporate governance characteristics, the authors develop a taxonomy of Latin American family firms by applying the configurative approach. A hierarchical

clustering analysis is implemented using an algorithm that aggregates similar observations (in this case, family firms) into groups, or clusters. More specifically, agglomerative hierarchical cluster analysis is implemented which proceeds in a bottom-up manner. Initially, each family firm is considered as an individual cluster and, at each iteration, similar clusters merge with other clusters until a group of k bigger clusters is formed. The different family firms start merging based on their corporate governance similarities which are calculated from the Euclidean distance between two clusters[1]. One of the main advantages of this approach in comparison to k-means cluster analysis is that it does not require pre-specification of the number of clusters to be generated. Furthermore, the results are represented through a dendrogram, that is, a tree-based representation of the family firms. In sum, this multivariate analysis technique allows classification of the largest family firms in Latin America into similar categories to observe common patterns.

Results

Descriptive statistics

Table I provides summary statistics. Table II describes the key corporate governance characteristics of the largest listed and privately controlled family firms across Latin American countries.

Overall, 63 percent of these largest firms are publicly listed and the controlling families hold 65 percent of total stock on average. Further, while 78 percent of firms are controlled from within Latin America, the remainder are controlled from elsewhere. Moreover, family involvement on boards of directors is high with 46 percent of board members and 86 percent of Presidents belonging to the controlling families. On average, boards of directors have nine members including one woman. Regarding management, 55 percent of the firms have a family CEO and in 30 percent of cases the CEO is also the President of the Board. On average, founders are present in governance in one-third of the firms. In most of the firms only a single generation is involved in governance.

The governance characteristics analyzed show some key cross-country differences. Regarding ownership and control, Chile has the highest percentage of its largest firms listed on the stock exchange (81 percent) while the largest family firms in Colombia are all privately controlled. In Argentina, only 14 percent of the largest family firms are listed on the domestic stock exchange. In terms of ownership concentration, Chile, with the highest proportion of firms with listed control, exhibits the lowest shareholding by the controlling family (58 percent) while Peru and Colombia have the highest (76 and 83 percent, respectively). Regarding localization of control, all companies in Peru, above 80 percent of those in Chile and Mexico, and about three-quarters of companies in Brazil and Colombia are controlled from Latin America. In Argentina, half of the largest family firms are controlled from abroad, something that may be partially explained by the fact that about one-third of the firms included are subsidiaries of large multinational car manufacturing companies. In general, foreign control is highest from Europe (especially for firms in Argentina, Brazil, and Mexico) and the USA (especially for Chile, Argentina, and Colombia).

For the governance dimension related to the board of directors, the largest family firms in Colombia show the lowest independence as all the boards have a family president, 59 percent of board members are family members, and 75 percent of the boards register cases with CEO-duality. Firms in Argentina exhibit the highest board independence in the region but still 79 percent of the boards have a family president, 40 percent of board members are family members, and 36 percent of the boards register cases with CEO-duality. Average board size is lowest in Peru, Colombia, and Brazil with 6, 7, and 8 members, respectively. Chile and Argentina have average boards of ten members while Mexico has the largest boards with 11 directors on average. Regarding board diversity, Mexico and Peru are the least diverse

Table II.
Governance dimensions of largest Latin American family firms per country

	Ownership and control						Board of directors					Management		Generational involvement	
			Locality of control												
	Listed control (%)	Shareholding (%)	Latin America (%)	USA (%)	Europe (%)	Asia (%)	Family (%)	Dual role president (%)	Size	Family members (%)	Diversity (%)	Family CEO (%)	CEO all in BoD (%)	Founder (%)	Overlapping generations
Brazil	61	65	74	6	16	3	82	24	8	48	13	53	55	45	1.6
Mexico	69	63	83	4	10	2	92	38	11	42	6	69	85	31	1.5
Chile	81	58	88	13	0	0	88	0	10	42	12	25	19	25	1.6
Argentina	50	67	50	21	29	0	79	36	10	40	15	43	64	7	1.3
Peru	56	76	100	0	0	0	89	44	6	59	8	44	56	11	1.1
Colombia	0	83	75	25	0	0	100	75	7	59	18	75	50	25	1.5
Other	100	76	100	0	0	0	100	50	8	79	0	100	100	50	1.5
AVERAGE	63	65	78	8	12	2	86	30	9.2	46	11	55	62	33	1.5

because only 6 and 8 percent, respectively, of board members are female. Argentina, with 15 percent, and Colombia, with 18 percent female participation are the countries with the highest gender diversity on boards.

Moving on to the management dimension, family CEOs are present in 75 and 69 percent of the largest family firms in Colombia and México, respectively. In this latter country 85 percent of CEOs are also members of the board (while CEO duality is 38 percent). Chile is the country with the lowest family involvement in management as only 25 percent of the largest family firms have a family member as CEO and only 19 percent of CEOs are members of the board, indicating that these companies may "feel the pressure of market scrutiny because of being listed" (Martínez *et al.*, 2007, p. 93).

When it comes to generational involvement, specifically the participation of multiple generations of a family in a business, it is in Brazil and Chile (Peru and Argentina) that the most (least) generational overlap is observed. A total of 95 percent of the firms analyzed have, in almost equal parts, either one or two generations existing at the same time as members of the board of directors or CEO. The presence of the founding generation is highest in Brazil (45 percent) and lowest in Argentina (7 percent).

Some of these corporate governance characteristics of firms in specific countries can be related to contextual particularities. Table III displays country-specific economic, institutional, cultural, and business regulatory indicators from sources such as the World Bank (2019a, 2019b), the Central Intelligence Agency (2019) and Hofstede Insights (2019). Comparing these indicators with the salient features of governance dimensions in Table II provides some insights into the influence of context on organizational phenomena.

First, while 50 percent of the largest family firms in Argentina exhibit listed control, a deeper examination indicates that only 16 percent of firms are locally listed, and this can be related to the lowest market capitalization to GDP ratio (near 9 percent) and the characterization of its financial market as early-stage due to a "relatively weak institutional environment" (Reuttner *et al.*, 2012, p. 28). Second, in the case of Chile, which has the largest ratio of stock market capitalization of listed domestic companies to GDP (84.1 percent), 81 percent of the largest family firms were controlled by a listed entity according to the data. Third, and again in Chile, the dual role of President and CEO is forbidden (Portellano and Vives, 2015).

Fourth, the relatively high values of shareholding (83 percent), family president (100 percent), family CEO (75 percent), and the dual role of President and CEO (75 percent) in Colombia correspond to the fact that this country scores low on the long-term normative orientation scale developed by Hofstede (2011), which implies a family life guided by imperatives, focus on the past or the present, and a strong preference to maintain traditions and norms while viewing societal change with suspicion. Fifth, the countries with the highest participation of nonfamily shareholders (Chile, Mexico, and Brazil) also rank highest in terms of particular business regulatory indicators such as contract enforceability. Finally, Mexico has a large percentage of family presidents in family firms (92 percent) as well as the lowest female representation on boards of directors (6 percent). Those figures coincide with the highest Power Distance score (81) according to Hofstede's model (which measures the degree to which the less powerful members of a society accept and expect that power is distributed unequally) and Masculinity (69), which represents a preference in society for achievement, heroism, assertiveness, and material rewards for success.

Information in Table IV allows identification of key differences between listed and privately controlled firms regarding their governance characteristics. It can be observed that 89 percent of privately held firms are controlled from Latin America with an average shareholding concentration of 83 percent. These values for listed firms are 55 and 71 percent, respectively. While the tendency of both kinds of firms to have a family member as President of the board of directors is similar, CEO-duality in privately held firms is observed in 47

Table III. Context indicators for economic, institutional, cultural, and regulatory aspects

Country	Economic (1)					Institutional (2)		Cultural (3)					Business regulation ranking (4)			
	GDP(USD billion)	GDP per capita(USD)	External balance(% of GDP)	FDI, net inflows(% of GDP)	Stock Market Cap(% of GDP)	Government Type	Political System	Population (millions)	Power Distance	Individualism	Masculinity	Long-term orientation	Starting Business	Getting Credit	Paying Taxes	Enforcing Contracts
Argentina	518	11.653	−1.96	2.29	8.90	Presidential Republic	Democracy	44.7	49	46	56	20	141	104	170	97
Brazil	1.869	8.921	0.53	4.73	49.10	Federal Presidential Republic	Democracy	208.8	69	38	49	44	138	104	184	58
Chile	298	15.924	0.09	2.04	84.10	Presidential Republic	Democracy	17.9	63	23	28	31	57	94	86	54
Colombia	330	6.651	−5.00	3.44	31.40	Presidential Republic	Democracy	48.2	67	13	64	13	95	11	148	177
Mexico	1.224	9.698	−1.88	3.01	31.50	Federal Presidential Republic	Democracy	126	81	30	69	24	107	11	120	43
Peru	222	6.947	−1.44	2.92	42.00	Presidential Republic	Democracy	31.3	64	16	42	25	133	37	121	83

Source(s): (1) World Bank (2019), Refers to 2018 (last year available); (2) Central Intelligence Agency (2019); (3) www.Hofstede-insight.com; (4) www.doingbusiness.org

percent of cases compared to 19 percent in firms with listed control. Privately owned firms have, on average, 6.8 members on their boards of directors, a value well below the 10.5 members for firms with listed control. While privately owned family firms have smaller boards, the participation of family members on these boards is high, averaging at 61 percent. On the other hand, firms with listed control have larger boards but on average only 37 percent of board directors are family members. When it comes to top management, 60 percent of privately held family firms have a family member as a CEO, compared to 52 percent for firms with listed control. In terms of generational involvement, founders are marginally more prevalent in the governance of privately held firms, with 35 percent presence compared to 32 percent in listed firms. Generational overlap is also slightly higher in firms with listed control (1.54 compared to 1.42 in privately controlled firms).

Family firm configurations in Latin America

The clustering approach can be visualized through a dendrogram which is depicted in the Figure A1. From this analysis five main clusters can be identified. However, the first three clusters account for almost 96 percent of the sample of family firms in Latin America. The first cluster is formed by 83 family firms, the second by 48, and the third by 18. The final two smallest clusters are formed by four and two firms which behave as outliers as regards their corporate governance features. Table V shows mean comparisons for each corporate governance dimension considered, as well as other control variables such as industry categorization, country of origin, size, and age. Table VI describes the salient corporate governance features that characterize each cluster. The three main clusters analyzed are different from each other in terms of the behavior of the different governance dimensions. Below, a characterization of each of the three models is provided, followed by the development of a framework for making sense of this emergent classification.

Exported governance model. This configuration resembles many characteristics of the Anglo-American and Continental Governance models and is mainly used by multinational companies whose headquarters are not located in Latin America. The firms in this cluster are usually listed on stock exchanges, or are subsidiaries of a listed entity, and controlled from outside Latin America in most cases (72 and 61 percent, respectively). The non-domestic controlling families hold almost 60 percent of the shares. This controlling stake is well above the average family ownership of 18 percent found "in the largest listed family firms in USA" (Anderson and Reeb, 2004, p. 221) and is also higher than the average ownership concentration of "29.4 percent of the social capital of firms" listed in Argentina, Brazil, Chile, and Mexico as documented by extant research (Saénz González and García-Meca, 2014, p. 427). It has already been signaled that "concentrated ownership is the most viable corporate governance alternative" usually adopted by controlling families in the institutional conditions of emerging economies as it "…substitutes for poor external governance mechanisms" (Young *et al.*, 2008, pp. 203, 208).

In general, this configuration has local legal boards comprised entirely of domestic managers which could be viewed as "compliance boards" with no formal responsibilities outside those required by law (Kiel *et al.*, 2006). Therefore, the active role of the board of directors is performed by the board of the foreign parent company (Du *et al.*, 2011). These boards are the largest, most diverse, and most independent, with less than one-third of board members and no President belonging to the controlling family. The board size of about ten members is very similar to the average board size of 11 as found in the largest listed family firms in the USA (Anderson and Reeb, 2004, p. 221). While gender diversity on boards is highest in this cluster (13 percent female representation) it is still below public companies in the USA, with 19 percent, and quota markets such as Norway OBX, with 40 percent (Kamonjoh, 2014).

Table IV. Heterogeneity in governance dimensions of the largest Latin American family firms

		Property and control					Board of directors					CEO		Generational involvement				
			Locality of control															
		Shareholding (%)	Latin America (%)	USA (%)	Europe (%)	Asia (%)	Family (%)	Dual role president (%)	Size	Family members (%)	Diversity (%)	Family CEO (%)	Eco all in BoD (%)	Founder (%)	2nd. Gen. (%)	3rd. Gen. (%)	4th. Gen and more (%)	Overlapping generations (%)
Controlling legal entity	Listed (98)	55	71	9	16	3	87	19	10.5	37	11	52	61	32	55	37	23	1.54
	Private (57)	83	89	5	5	0	86	47	6.8	61	10	60	63	35	63	25	16	1.42

Table V. Mean comparisons among clusters

	Cluster:	1	2	3	4	5	Total
Corporate governance variables	Number of firms	83	48	18	4	2	*155*
	SHARE	56%	80%	59%	83%	100%	*65%*
	CONTLISTED	82%	35%	72%	0%	0%	*63%*
	LAHN CONTROL	75%	98%	39%	75%	100%	*78%*
	FAMBOD	35%	69%	32%	55%	58%	*46%*
	FBODPRES	100%	100%	0%	75%	0%	*86%*
	DUALCEOPRES	8%	75%	6%	0%	100%	*30%*
	SIZE BOD	10.42	6.08	13.00	4.75	4.5	*9,15*
	DIYERSEBOD	9%	11%	13%	37%	0%	*11%*
	FCEO	43%	98%	11%	0%	0%	*55%*
	CEOINBOD	58%	79%	44%	0%	100%	*62%*
	GENERATIONS	1.53	1.50	1.61	0.75	0.5	*1.50*
	FOUNDER	41%	27%	22%	0%	0%	*33%*
Control variables	SIZE	6.37	4.01	428	2.95	1.52	*5.246*
	AGE	60.98	64.04	86.2	71.75	50.5	*65*
	BRA	39%	35%	56%	75%	0%	*40%*
	MEX	31%	38%	22%	0%	0%	*31%*
	CHI	14%	4%	11%	0%	0%	*10%*
	ARG	8%	6%	11%	25%	50%	*90%*
	PER	5%	8%	0%	0%	50%	*60%*
	COL	1%	6%	0%	0%	0%	*30%*
	OTH	1%	2%	0%	0%	0%	*1%*
	RAWMAT	14%	6%	17%	25%	50%	*13%*
	UTILITY	4%	0%	0%	0%	0%	*2%*
	MANUFCT	46%	33%	67%	25%	50%	*44%*
	RETAIL	19%	46%	6%	25%	0%	*26%*
	SERVICES	17%	15%	11%	25%	0%	*15%*

Firms in this cluster tend not to be managed by members of the controlling family, are the oldest in the sample, favor manufacturing, and avoid retail activities. Although this cluster exhibits much less dispersed shareholding than the Anglo-Saxon governance standard, it resembles many characteristics of the Anglo-American and Continental Governance models (Aguilera and Jackson, 2010) as it largely favors public control, board independence, and non-family management. Hence, it is termed the "exported governance model."

About 80 percent of the firms that follow the configuration of the exported governance model are in Brazil and Mexico, the two largest economies in Latin America, and about two-thirds belong to manufacturing industries. This governance configuration shows high influence in ownership of families from outside Latin America, mostly from developed economies. These foreign parent companies are mostly listed, and their boards of directors seem to be performing most of the governance roles of the subsidiaries. Members of the boards of the local subsidiaries are generally employees who also undertake management roles.

As an example, this cluster contains the three largest subsidiaries of Volkswagen in Latin America, located in Mexico, Brazil, and Argentina. To illustrate the direct control of governance by foreign parent companies, it is interesting to note that the President of the Board and CEO of Volkswagen Argentina joined the company as an employee in Germany in 1998 and worked in several management positions reporting to other managers and members of boards of controlling entities. Another example of a firm under the exported governance model is Tetra Pak Brazil, a subsidiary of Tetra Laval Group, that started operations in Sweden but is currently established in Switzerland. The annual report of Tetra Laval states that operations and representatives in 170 countries follow clear rules and guidelines and that

	Cluster 3 (n = 18)	Cluster 1 (n = 83)	Cluster 2 (n = 48)
	Imported governance model Public ownership control with low involvement in business governance	Hybrid governance model Public ownership control, board leadership and some involvement in business governance	Super-familial governance model Total control of ownership and business governance
Ownership	Ownership concentration about 60% Most are controlled from abroad Latin America	Ownership concentration about 55% Over ¾ are controlled from Latin America	Highest Ownership concentration (80%) Almost all are controlled from Latin America
Board of Directors	No family members as Presidents Largest and most diverse Boards	All Presidents are family members Largest and lowest diverse Boards	All Presidents are family members Smallest boards and dominated by family members
Management	Almost no family members as CEO	About 40% have a family members as CEO	Almost all CEOs are family members
Generational Involvement		Highest Founder presence	
Other Characteristics	Oldest firms, most are based in Brazil Overrepresented in manufacturing and underrepresented in retail	Largest firms	Overrepresented in retail

Table VI.
Key characteristics of the identified clusters

the supervisory board of the group establishes a framework for corporate governance with requirements and expectations for the industry divisions, and communicates governance guidelines throughout the organization (Tetra Laval, 2015). This group supervisory board, operating from Switzerland, defines overall strategies and policies, appoints senior management, is responsible for corporate governance as well as financial and operational control, and defines financial targets and resource allocation for all the different operations within the group.

The exported governance model can be seen at work especially when employees of the parent company are appointed as board members of the foreign subsidiaries. These employees follow instructions of a hierarchical management organization while, at the same time, must play the role of board members in legal entities in foreign countries. Being a member of the board of directors is something that, according to local regulatory frameworks, requires independent decisions, which may create conflicts of interest in terms of the aforementioned management role and employment relations. This is, for example, the case of the President of the board of Tetra Pak Brazil appointed in 2019 (Adolfo Orive) who served as an employee in the Tetra Pak, starting in 1993, and then joined the Tetra Pak group management team in 2014 (Tetra Pak International, 2019).

Super-familial governance model. This configuration can be associated to previously developed categorizations of firms where the family is very highly involved and influential in the governance of the business, such as the “solely family-run family business” (Diéguez-Soto *et al.*, 2015), the “traditional family business” (Corbetta, 1995), and the “controlling-owner family-operator” (Nordqvist *et al.*, 2014). This cluster mainly includes private firms (65 percent), the vast majority of which are controlled from Latin America (98 percent). Shareholding concentration is very high (80 percent) and there is complete control over the board of directors and management. Boards have around six members, and two-thirds of the Directors as well as the President are members of the controlling family. This finding is in line

with studies showing that goal alignment in privately owned family firms with high family involvement is reflected in relatively small boards with a low ratio of outside members (Jaskiewicz and Klein, 2007, p. 1,087). Additionally, almost all CEOs in this cluster are also members of the controlling family and CEO-President duality is very high (75 percent). Retail activity is overrepresented in the configuration of super-familial governance with respect to the Latin American average.

This governance configuration displays the highest family involvement and discretionary behavior as ownership by Latin American family members is very high and without the regulation of capital markets. In this governance arrangement, the controlling family holds the Presidency and majority votes of a board of directors that appoints a family member as top executive. One example of a firm under this configuration is the Odebrecht group, with 168,000 employees in 28 countries in 2014. From the outset, this group was controlled by a family that accounts for over 80 percent of shareholding and it manifests itself as a confederation of small companies that interact and behave through synergies (Odebrecht, 2015). The President of this group was Emilio Odebrecht, a third-generation family member, and the CEO was his son, Marcelo Odebrecht. The Odebrecht group was later involved in a serious corruption scandal that ended with the conviction of the CEO and other top executives (Fuentes, 2016). This, and other such scandals, impacted the operations of the group, leading them to curtail operations to the extent that they had less than 50,000 employees in 2019 (Odebrecht, 2019). Examining the board of directors governing Odebrecht, it was possible to find several tenured executives. In 2016, Odebrecht implemented a new corporate governance policy and no family member was included on its governing board.

Another example of the super-familial governance model is Grupo Salinas, a Mexican conglomerate that has been around for more than 100 years and operates mainly in the retail industry but is also active in media, banking, insurance, and other industries. The controlling family accounts for about 70 percent of shareholding and 3 of the 9 seats on the board of directors of the largest entity of the conglomerate. The President of the board as well as the CEO are family members. Grupo Salinas was recognized as being one of the top 60 firms in Mexico based on reputation according to Merco, a Spanish monitor of corporate reputation audited by KPMG (Sánchez and Sotorrío, 2007; Merco, 2019), and its family member president, Ricardo Salinas, was among the top 15 business leaders in Mexico by reputation in the annual rankings from 2013 until 2018.

Hybrid governance model. Family firms in this configuration are mainly listed on stock exchanges (83 percent) and controlled from Latin America (75 percent). Moreover, 55 percent of ownership is concentrated in the hands of controlling families. In all cases, the board of directors is led by a President who is a member of the controlling family. Family members hold 35 percent of the available seats on the boards, which have ten members on average. While it may seem that families which concentrate majority ownership have surrendered some of their power on boards of directors populated mostly by non-family members, there are studies that suggest that families still retain voting majority. Research in other developing economies has shown that controlling families strategically respond to market pressures by decreasing the ratio of family members on the boards of entities quoted on the stock exchange but retain power by appointing "trusted current/retired managers in the closest circle of the family" as directors instead of outsiders (Selekler-Goksen and Öktem, 2009; Yildirim-Öktem; Üsdiken, 2010; Yildirim-Öktem, 2018).

In this cluster, CEOs are members of the controlling family in 43 percent of cases. Furthermore, this is the configuration with the highest founder presence in governance, at 41 percent. Finally, this group accounts for the largest firms by sales. This empirically emergent cluster could fit in the typologies derived by Stewart and Hitt (2012) as "Pseudo-Professional Public Family Firms" or "Hybrid Professional Family Firms." Firms in this cluster share some governance characteristics of the exported governance and super-familial models,

indicating hybrid trends away from stylized arrangements which have already been suggested to be occurring in emerging markets (Aguilera *et al.*, 2011), hence the rationale for the term used to describe this group.

This governance configuration exhibits high influence of families from Latin America in ownership that is mainly structured through public offerings of shares, with the related market pressure and institutional regulations. This configuration shows leadership of the board by a family member but moderate formal influence on the board of directors due to the majority of seats being held by nonfamily members, and moderate involvement of the controlling family in management. As an example, Cencosud, a family-controlled entity falling within the hybrid governance group, has operated in retail since 1963 across several Latin American countries including Chile, Peru, Colombia, Brazil, and Argentina and had over 150,000 employees in 2014. The family controlled more than 60 percent of the shares and the founder, Horst Paulmann, was the President of the board. Besides him, his daughter and son were also directors on the board where the family held three out of nine seats. The CEO of the firm was not a family member and was not a member of the board. A second example of this configuration is the firm Molinos Río de la Plata, a company from Argentina focused on agribusiness and industrialization of agricultural products sold under several leading consumer brands. Descendants of the founder, Gregorio Pérez Companc, controlled about 75 percent shares. The President of the board was Luis Pérez Companc, the only family member (second generation) on a board with six seats. The CEO of Molinos, Río de la Plata, was not a family member.

Proposed framework

The results support the proposal that family-controlled firms across emerging markets can be demarcated into a small number of groups based on similar corporate governance bundles (Aguilera *et al.*, 2011). To make sense of the emerging key clusters, a framework is now proposed that considers the key governance dimensions which show the most heterogeneity across the firms studied. The type of ownership, private versus public control, is one of the key aspects. The other key axis of this framework is the degree of family involvement in leadership of the board of directors and top management team, either low or high. The resulting matrix of governance type for large Latin American family firms is displayed in Figure 1. Four quadrants emerge from this framework: (1) Private ownership control and low involvement on the board and top management team, (2) Public ownership control and low

Ownership Control		Low	High
	Mostly Listed	Cluster 3 ($N = 18$) **Exported Governance Model** Public Ownership control with low involvement in Business Governance	Cluster 1 ($N = 83$) **Hybird Governance Model** Public Ownership control, BoD leadership and some involvement in Business Governance
	Mostly Private	($N = 0$) Total control of Ownership with low involvement in Business Governance	Cluster 2 ($N = 48$) **Super-Familial Governance Model** Total control of Ownership and Business Governance
		Family Involvement in BoD and TMT (CEO)	

Figure 1.
Key firm governance models in Latin America

involvement on the board and top management team (exported governance model), (3) Public ownership control and high involvement on the board and top management team (hybrid governance model), and (4) Private ownership control and high involvement on the board and top management team (super-familial governance model). No company falls within the first quadrant–private ownership control and low involvement on the board and top management team. This indicates that, at least in terms of the sample used in this study, families that privately own a firm are likely to be involved in the company's governance bodies.

Conclusions

This article addresses the cross-cultural perspective to explore family firm corporate governance heterogeneity by using the configurative approach in Latin American countries. Although theoretical classifications are important for developing descriptions of plausible configurations regarding family involvement in governance, and despite the existing empirical taxonomies that provide some evidence of effectively observable configurations, all of them emerge from single-country (developed economy) data. Institutional theory suggests that isomorphic forces may affect organizational structures across countries, and this allows for theorization regarding configurations of corporate governance patterns across countries.

The authors address the aforementioned research gap through a "fact-based" approach by investigating the heterogeneity across family firms and defining configurations of corporate governance characteristics across the six largest Latin American economies. While comparisons among countries unveil different corporate governance characteristics, there are also common patterns across countries allowing for the identification of three main clusters of firms. The three cross-country configurations detected incorporate another dimension to the study of heterogeneity of family firms: the existence of clusters of firms across different contexts.

Several key findings are apparent concerning differences regarding the characteristics of key corporate governance dimensions in firms in the sample. When it comes to ownership, the results suggest substantial heterogeneity regarding listing on stock exchanges, shareholding concentration, and locality of control. Regarding boards of directors, whilst most firms have a member of the controlling family as President, heterogeneity exists regarding board size, members of the controlling family as Directors, CEO-duality, and gender diversity. In terms of the latter, heterogeneity across countries is high (from 6 to 18 percent) being lowest in Mexico and Peru and highest in Colombia and Argentina. High heterogeneity was evidenced when analyzing whether the CEO was a family member or not, ranging from countries with low familial involvement in this respect (starting from 25 percent), through to countries with high involvement (75 percent). Other salient country related specificities were also uncovered, such as highest family involvement in roles of President of the board of directors and CEO in Mexico, substantial involvement of founders in Brazil, predominance of listed firms in Chile, substantial firms with foreign control in Argentina, and high family shareholding concentrations in Peru and Colombia. As per the foregoing, some of the described heterogeneities in corporate governance for specific countries can be related to contextual particularities considering country-related economic, institutional, cultural, and business regulatory characteristics.

Besides describing similarities and differences in governance characteristics of large family firms across countries, where variances can be attributed to the local context, the results show that there are common patterns across contexts. These patterns run across countries and reveal a limited number of corporate governance configurations of companies that have succeeded to be among the largest in this developing region. This runs in line with the suggestion that the presence of family control influences corporate governance arrangements irrespective of some of the impacts of the local context, creating the forces

for corporate governance configurations that go beyond national boundaries (Aguilera *et al.*, 2011). The three key configurations which emerged from the data were termed "exported governance," "super-familial," and "hybrid" models. The *exported governance model* represents the configuration of firms generally listed on stock exchanges and controlled from outside Latin America, with independent boards of directors, and non-family management. The *super-familial governance model* mainly includes firms with very high family involvement and control across all governance dimensions analyzed: private control with very high shareholding concentration and complete control over the board of directors and top management team. Finally, the *hybrid governance model* is a configuration that shares some governance characteristics of both of the foregoing configurations: shares are listed but majority is still concentrated in the controlling local families in Latin America, with family members having a strong influence on the board of directors.

The results reported and explored herein are important because they contribute to current debates in the family business field about family firm heterogeneity whilst also applying the configurative approach to the corporate governance context. To the best of the authors´ knowledge, this is the first study to investigate corporate governance in the largest listed and privately-owned family firms in Latin America, addressing calls to focus more research in this domain on new cultural contexts and regions (Gersick and Feliu, 2014; Arosa *et al.*, 2010; Welter *et al.*, 2016) such as emerging markets (Goel *et al.*, 2014, p. 239). Besides describing similarities and differences in family firms across countries, this paper extends the conversation on family firm heterogeneity (Daspit *et al.*, 2018) and builds on previous studies acknowledging that successful governance can be organized in more than one way (Nordqvist *et al.*, 2014; Basco and Rodríguez, 2011).

While the results are in line with previous studies identifying different governance configurations, it is also revealed that these configurations are applicable across countries. This research should not be interpreted as presenting ideal governance types, but it advances research conceptually by providing empirical configurations that can be contrasted with theorized categories such as the modes of professionalization by Stewart and Hitt (2012) and the configurations by Nordqvist *et al.* (2014). On the one hand, the largest cluster identified supports the idea of the prevalence of hybrid governance arrangements among large family firms. On the other hand, the three main configurations identified highlight the existence of a rather stable set of successful heterogeneous governance configurations across a group of nations. This paper thus follows the recommendations by Misangyi and Acharya (2014) and delivers evidence for different successful corporate governance configurations across countries. It also provides support to arguments proposing that family firms are likely to rely on a limited bundle of corporate governance configurations across countries in emerging regions (Aguilera *et al.*, 2011).

Practical implications

The results have implications for policymakers and practitioners. Regarding policy, evidence is put forward which suggests that the exported Anglo-American and Continental Governance models usually characterized as best practice benchmarks (Aguilera and Jackson, 2010) may not have been adopted by large family firms as straightforward as expected. In line with Young *et al.* (2008) it is suggested that corporate governance in emerging economies will require different solutions compared to those designed for other institutional contexts, which may not only be ineffective but possibly even counterproductive. In fact, the results show that a hybrid model is the most common, where some of the mentioned best practices are partially implemented, probably due to the fact that these firms are listed on stock exchanges with the associated regulations, but where families retain a very high ownership stake and exert important influence on the board of directors. As there is evidence for family firms being more predisposed to pro-ethical and pro-

social behavior compared to nonfamily firms (Gómez-Mejía *et al.*, 2007; Van Gils *et al.*, 2014; Vazquez, 2016), the benefits and conditions for a governance configuration combining the transparency and control of regulated markets with high involvement of the controlling family could be explored, validated, and encouraged.

Practitioners and families in firms from Latin America may also find that copying some best practices recommended from other contexts may not imply increased performance nor prevent particular critical issues from arising. The existence of two main clusters of large firms owned by Latin American families ("super familial" and "hybrid") also show successful (at least in terms of size) local governance configurations implemented by local families. Enterprising families in Latin America should reflect on and develop specific governance structures, processes, and tasks which are adequate to their needs, goals, resources, and the conditions imposed by the contexts where they live.

Limitations and suggestions for further research

Beyond the mentioned contributions, this study is not free from limitations. In what follows, four limitations are identified that could represent fruitful terrain for future research. Two additional areas for future research, not based on limitations of this study, are also highlighted. First, this research is restricted to very large firms in a developing region, Latin America, and therefore its findings cannot be directly extrapolated to smaller firms or to other contexts without the usual cautions and caveats. Further research comparing the Latin American region with other developing regions and studies inquiring into the governance characteristics of smaller firms would help to uncover similarities and differences regarding contexts and business sizes of family firms in emerging economies. Second, this research is based on cross-sectional data and, while governance characteristics do not seem to fluctuate markedly over time, employing longitudinal analyses would undoubtedly be useful not least to corroborate that temporalities are not substantive determinants in this context. Third, this research explores specific elements of governance dimensions. Exploring other governance characteristics such as board member profiles (educational background, age, board experience, dependence on the controlling family, and so on) and board processes as well as other governance elements such as supporting committees, auditing function, and board transparency also remains for future research. Moreover, in-depth examination of board composition and functioning, including qualitative studies, may provide important insights on salient governance characteristics and their interrelations. Fourth, this study assumes that the largest firms are at least somewhat successful, but this was not corroborated by documenting and exploring specific performance variables, apart from sales. An interesting line for further research could be to inquire into governance configurations linked to diverse performance outcomes, not only short-term economic results for shareholders but also long-term performance and outcomes benefiting other stakeholders. This research avenue may reveal that higher performance is achieved by some governance configurations based on characteristics that can be reasonably adopted by other types of organizations.

Finally, further research is also required regarding two main topics: the involvement of women as well as intergenerational involvement in governance. While there is some variation in this Latin American sample in terms of gender diversity, female presence on boards of directors is still well below most developed economies and it is lower in private than in publicly controlled firms. The average of 11 percent female presence on the boards of directors of the largest Latin American family firms is well below the 30 percent threshold that has been suggested as linked to a positive effect on corporate performance compared to less diverse boards (Flabbi *et al.*, 2016, p. 16). Empirical research concerning the role of women in family firms is scant. While some "factors that can help or hinder daughters to progress professionally and achieve leadership positions" in family firms have been described (Martinez Jimenez, 2009, p. 53), it is important to extend the research regarding gender in the

governance of family firms. This is especially crucial in Latin America, as the percentage of women on the boards of directors of the largest firms increased only around 1 percent in the decade from 2005 to 2015 (Corporate Women Directors International, 2015). It is also worthwhile exploring the role of nepotism vis-a-vis gender diversity as there are reports suggesting that women serving on boards in the largest Latin American firms have ties to the owning families (Corporate Women Directors International, 2015). Furthermore, considering the scarcity of research regarding generational involvement in governance, examining governance characteristics and dynamics in the presence of overlapping generations is also a fruitful avenue for further research. Generational overlap may indicate stronger intentions for business continuation as family firms go through generational transit. On the one hand, this may mean long-term investment horizons and emphasis on a stewardship perspective while, on the other hand, this may also result in increased likelihood of conflicts, resources shortages, and succession problems (Miller and Le Breton-Miller, 2006).

Note

1. Data were previously standardized (i.e., scaled) to render variables comparable.

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(The Appendix follows overleaf)

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Appendix

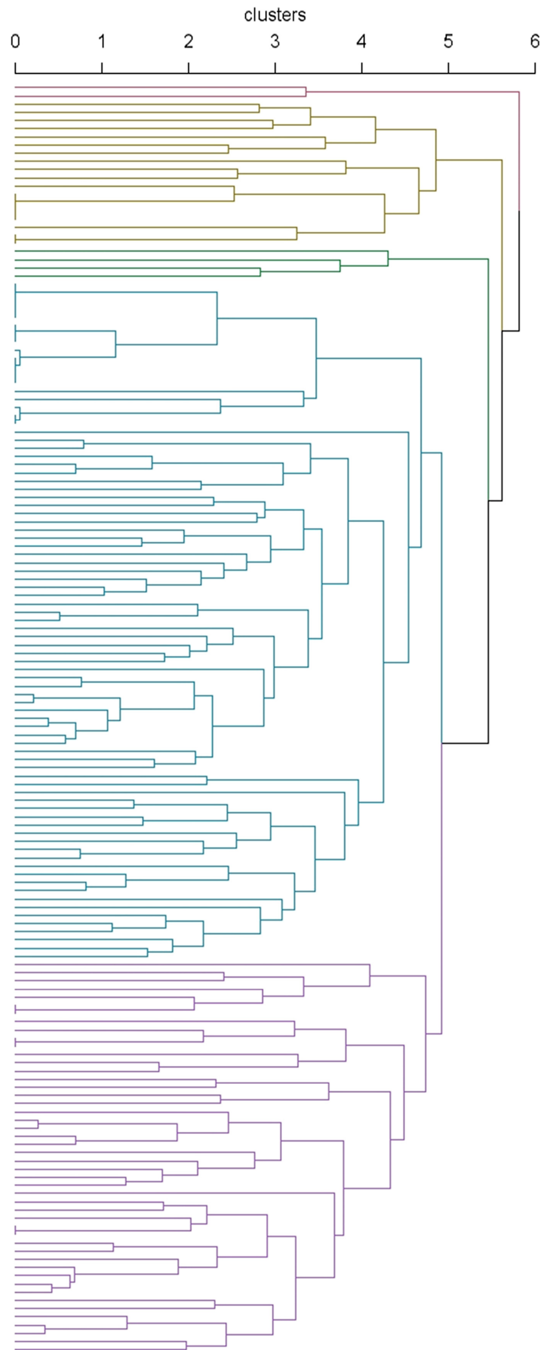

Figure A1.
Dendrogram