THE INTERNATIONAL EXPANSION OF LARGE FAMILY FIRMS: INSIGHTS FROM SIX CASE HISTORIES

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Running title: The International Expansion of Large Family Firms

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ABSTRACT

This paper aims to review our understanding of the challenges facing family-owned firms as they undertake a process of internationalization, and to propose a research agenda to fill some of the gaps that remain in the intersection of research on the processes of corporate globalization with work on the particular strategic challenges faced by family-controlled companies. Research in both of these fields has been widely and independently reported in the literature over the past four decades, but less so the confluence of issues that are found when family companies, particularly those based in emerging markets, expand internationally. We approach this task by first describing the issues faced by six large family-controlled companies, one based in Europe and five in Latin America, as they each expanded into foreign markets. These case histories are derived from personal in-depth and first-hand knowledge developed while the authors worked closely in the design and execution of these companies' global strategies over the past 35 years. We derive a number of insights from each of these cases that are then compared with the extant literature and summarized into a series of propositions that might serve to guide future research in this important area.

Key Words: Family-owned MNEs; Globalization processes in family-owned companies; Case histories of large family companies; International growth vs. control in family companies; Governance in global family companies; Emerging market MNEs.

I. INTRODUCTION

Much has been written on the subject of corporate globalization over the past five decades (Buckley & Casson, 2009; Tan et al., 2020; Vahlne & Johanson, 2017), including the more recent rise of MNEs based in emerging countries (Buckley, 2018; Hennart, 2012; Hernández & Guillén, 2018; Luo & Tung, 2007), as well as on the trials and tribulations of family-owned businesses (Jaskiewicz et al., 2020; Neubaum, Kammerlander & Brigham, 2019; Nordqvist & Gartner, 2020; Pounder, 2015). Yet, there has been less research on the intersection of these fields of scholarship. There are exceptions, of course, and many important contributions are documented in several recent comprehensive literature reviews (Arregle, et al., 2017; Casillas & Moreno-Menéndez, 2017; Casprini et al., 2020; Kontinen & Ojala, 2010; Pukall & Calabró, 2014). Topics varied from the factors that facilitate or restrain international expansion (Fernandez & Nieto, 2005; Gallo & Sveen, 1991; Gallo & Garcia Pont, 1996), to how family ownership and family involvement affect internationalization (Arregle, Hitt & Mari, 2019; Bhaumik, Driffield & Pal, 2010; Fernández & Nieto, 2006; Sciascia et al., 2012). Yet, many critical questions that distinguish the process of internationalization in family firms from those in publicly traded or privately held firms, as well as between those based in industrialized vs. emerging markets remain unresolved.

This paper aims to extract critical insights from a discussion of six prominent family-controlled companies, one based in Europe and five based in Latin America, that have gone through various stages of international expansion over the past four decades. We rely on our personal first-hand knowledge of the decisions made at each of these companies, as we worked closely and independently with them in the design and execution of their

respective global strategies. These are very different companies, all very significant in their size and international reach, exhibiting different degrees of family control and operating in a variety of industries and over different time periods. Yet, they shared common challenges as they expanded abroad in ways that taxed their human, technological, ethical, and financial resources, as well as their owner's coherence. A few of them succeeded to a large extent, some remained in a regional role, and two failed, one catastrophically.

Section II includes a brief narrative of the six case histories.[1] They reveal that some of the issues faced by large family companies in their international expansion are not much different from those faced by all firms, but other matters are unique and exclusive of family-controlled ones.

Section III presents a series of propositions derived from the case histories that support or contradict previous findings in the literature organized in four categories: 1) the dichotomy of financial requirements versus maintaining control; 2) the conflict between necessary commitments and preserving the family's heritage in the face of increased risks; 3) the requirements of managing talent including nurturing future generations of family managers; and 4) the ever-present challenges of insuring family unity through the careful adoption of sophisticated governance mechanisms.

In Section IV we try to conclude if large family-controlled companies are really different from publicly owned firms. We end by proposing that many issues in each of these categories merit highly punctual research in the years ahead.

II. SIX CASE HISTORIES

Data Selection and Methodology.

The selection of cases for this study was not random. It was based on a sample of family-controlled companies where one of the authors had acted either as a consultant to top management on issues related to the company's international strategy or had actually participated in such decisions as a member of the company's Board of Directors.

We started with an initial set of 18 companies for which we had data from our past work and identified for each its industry, country of origin, size, salient issues in its history, and whether the long-term outcome was positive or not. After careful consideration, we eliminated six on the basis that they did not present a sufficiently important international decision in the period under scrutiny, and two others because of the paucity of primary materials in our possession. For the remaining 10 companies, we confirmed that the issues initially identified as being of interest provided a sufficiently broad canvas on which to analyze the impact of environmental and family factors in the decision-making process, and ascertained the availability of primary data sources (board meeting minutes, interviews, consultant reports, internal studies, etc.) to support any conclusions. Finally, we eliminated four more companies as being redundant. In no case was a company dropped from consideration because it supported or not a certain point of view.

Given that these companies were not initially targeted as subjects for research, and that the data resulted from the authors' role as advisors to their strategic processes, the sample is neither representative of the universe of family-controlled companies, nor does it fully comply with the conditions established for case-based research (Eisenhardt, 1989; Fletcher et al., 2018; Reay, 2014). On the other hand, these cases represent a deep-dive and highly

detailed level of field research involving multiple respondents in each company, all with board-level or top management responsibility, and covering multiple years, two conditions normally lacking in large-scale empirical methods with low information richness in data and problems of causality that are typically dependent on longitudinal observations. In comparison with other similar case-based studies (Dominguez & Mayrhofer, 2017; Graves & Thomas, 2008; Lahiri, Mukherjee & Peng, 2020), these are much larger companies with substantial investments abroad over a sustained time horizon.[2] The cases are summarized in Table 1. The earliest intervention dates from the 1980s, and in some cases, our involvement continued until the middle of the 2010s.

[Insert Table 1 here]

Grupo Bemberg

The Bemberg group included the flagship Quilmes brewery in Argentina and several smaller companies in Argentina, Uruguay, Paraguay, Chile, and Bolivia, all engaged in the production of beer, beverages, and related inputs. The group was owned by the descendants of a Franco-Argentine family with branches in Argentina and Europe (all represented on the company's board). When Carlos Menem assumed the presidency of Argentina in 1989, he and his economy minister, Domingo Cavallo, introduced a series of dramatic market-oriented reforms, including widespread privatization, trade liberalization, and a fixed exchange rate. In the booming market that followed, Quilmes' sales grew at 25-30% per year and the company invested heavily in new capacities across the region.

At the time, the Bemberg family hired Norberto Morita, an executive with Corning Glass' European operations, to manage the company. Beginning in 1989, Morita instituted an annual strategy retreat for all top management directed by one of the authors. Topics were

selected in advance and senior executives were chosen to prepare presentations on each, which were followed by discussions and concluded with a list of action items. One of the topics discussed at the 1992 retreat was "Brazil: Entry strategies." Argentina's then strong currency and Brazil's continued instability gave Quilmes a higher market valuation than that of Brazil's Brahma, a considerably larger company.[3] The Bemberg team recommended a merger with Brahma and asked Mr. Morita to explore such a move. Jorge Paulo Lemann, then CEO of Brahma, rejected the idea of hand and predicted that Brahma would eventually buy Quilmes out.

In the following years, Bemberg's valuation (and the family's wealth) increased tenfold, giving Morita considerable clout and credibility with the Board. By 1994 two trends were evident: 1) Brazil, now under President Fernando Cardoso's "Real Plan", had successfully reformed its economy and the threat of a southern strike by its financially stronger beer companies was imminent; and 2) given the rate of global consolidation in the industry, a purely regional player might not be viable. Heineken's 10% participation in Quilmes was judged insufficient protection against potential regional or global raiders.

Morita's response was to look north. The Labatt Brewing Co, Canada's second-largest brewer with a 45% market share, was in trouble. Their acquisition of 22% of FEMSA in Mexico had gone sour after the Mexican devaluation in 1995. Morita proposed to join forces with Heineken to acquire Labatt and then transfer Quilmes' headquarters to Toronto. He estimated that as a Canadian-based corporation, his corporate cost of capital would drop at least 500 basis points, which could provide the resources to defend existing territories and expand into new ones. However, not all family representatives on Bemberg's board were keen on such a large and risky move outside their comfort zone and

were reluctant to approve the massive borrowing that the acquisition would entail. Heineken was also not very enthusiastic and agreed only to acquire some of Labatt's assets. More importantly, Quilmes' cost of finance would be very high. After some initial scrimmages, Belgian-based Interbrew offered $3 billion for Labatt (and assumed $950 million of its debt). Such figures were beyond Bemberg's capacity, even net of the disposition of Labatt's non-brewing assets and any Heineken participation, and Morita was forced to abandon the deal.

Quilmes' disadvantage derived from its Argentinean domicile, where creditors demanded a considerable risk premium. It is instructive to contrast Quilmes' experience with that of South African Breweries (SAB), another emerging market beer multinational (EMNC) that encountered similar financial constraints as they expanded throughout Africa and Asia.[4] SAB moved its domicile from Johannesburg to London in 1999 and thereby improved its risk and financial profile (just as Morita had hoped to do with the move to Canada), gaining access to financial resources needed for the acquisition of Miller Brewing in the U.S. in 2002, which made SAB-Miller the world's second-largest brewer.

Whereas Quilmes dominated the Argentine market and held strong positions in several neighboring countries, it was vulnerable to any potential foreign entrant for which a period of predatory pricing would be a small price to pay to acquire a new market. In 2004, Belgium's Interbrew merged with Mr. Lemann's Brazil-based Ambev, which by then had purchased 38% of Quilmes in 2002. Inbev, as the new company was named, later increased its ownership of Quilmes to 91% in 2006. Two years later, Inbev merged with Anheuser Busch, forming the world's largest beer company, AB InBev.[5]

Empresas Carozzi

Augusto Carozzi, an Italian immigrant, founded Empresas Carozzi in 1898 in Valparaiso, Chile, to produce pasta, tomato sauces, and other consumer food products. After his death in 1942, his family sold part of the ownership of the company. By 1969, the Bofill family, long-time distributors of Carozzi's products, gained control of the company.

In the 1990s, Carozzi began a strategy of international expansion under the leadership of Gonzalo Bofill de Caso, then Chairman of the Board. He was a very strong man, with very clear principles, who had to defend the company against expropriation in the early 1970s, under President Allende´s Unidad Popular administration.

The Board also included his eldest son, Gonzalo Bofill Velarde, and one of the authors, among other directors. In 1982, Carozzi acquired Costa (chocolate products), a family-owned firm in Chile, and in the 1990s two other firms in Argentina—Bonafide (coffee and chocolates) and DRF Billiken (confectionery). In those years, Carozzi opened an office in the U.S. to distribute its products in North America. Then, in the year 2000, it took control of Ambrosoli (confectionery and chocolates), another traditional family firm in Chile of Italian origin.

By the mid-1990s, Carozzi reached about $400 million in sales with roughly 30% of its assets and revenues abroad. The Bofill family controlled nearly 80% of the ownership with the rest listed in the Chilean stock market. As further international expansion would require significant capital, management started to look for potential partners who could contribute additional equity. Several large multinational companies from the U.S. and Europe—e.g., Philip Morris, Nabisco, and Danone—expressed interest. However, they typically demanded a controlling interest in Carozzi (or at least a 50% share) in exchange.

These MNCs also had significant operations in Latin America, which they proposed to integrate with Carozzi further diluting the Bofill family's control. As a result, these negotiations failed to come to fruition, which introduced some tensions among senior executives and Board members, as negotiations with those three large MNCs had been exhausting and had ended without any positive outcome. To make things more complicated, in 1997 Carozzi bought another company in Peru (Molitalia) and in 1998 one in Italy (Gazzola) both producers of pasta. By then, the need for additional resources was critical.

However, the Chairman did not hesitate and kept the course. Two issues were important to Mr. Bofill de Caso in his search for a partner. First, he wanted to maintain the freedom to expand internationally, at least within Latin America. Second, he felt it important that any new partners were compatible in terms of corporate values and leadership style. He concluded that the ideal partner would be another family-owned company, preferably from another continent, one that wanted to have a foothold in Latin America and could provide the additional capital necessary for expansion.

It was then that Carozzi met representatives of Tiger Brands, Ltd., a leading food company headquartered in South Africa with sales of roughly $2.5 billion and operations in several African countries. Tiger Brands was willing to make a capital injection into Carozzi in exchange for 20% of the company. Following many face-to-face meetings, Mr. Bofill concluded that Tiger Brands' management, although not a family-owned company, shared his values and was content to have a minority footprint in Latin America.[6]

Those values were articulated as “respect and closeness to people, honesty and integrity, commitment to the company, sobriety and efficiency, and passion for the work well done.”

Although Bofill family members were not allowed to work as employees in Carozzi —due to bad experiences with relatives in the past—, all managers were asked to adhere to the same value system. After Mr. Bofill de Caso´s death in 2007, his son Gonzalo Bofill Velarde, who had served on the Board for 28 years, took his place as Chairman. He maintained the family spirit, culture, and values and continued the international expansion of the company with a strong leadership style, the same as his father, although more open and receptive to new ideas. At the same time, the group acquired several other firms in Chile and Peru in the food business: rice, flour, candies, ice cream, and even food products for pets.

By 2015, Carozzi´s revenues approached $ 1.5 billion, roughly half in Chile with the rest mainly in Latin America. Regional operations were judged to be successful and relations between Carozzi and Tiger Brands continued at a valuable and amicable level.

The family is now facing the arrival of the third generation of the Bofill family. Gonzalo Bofill Schmidt joined the Board of Empresas Carozzi in 2008 and his brother Pablo entered the group in 2015, although not in management positions in Carozzi, as commented before. Both of them joined the family group after completing an MBA at Columbia University. They, and the other four siblings, have the mission to continue the family legacy of entrepreneurial success with a great concern for their employees.

Gerdau

Johannes Gerdau, a German immigrant to Brazil, bought a nail factory in Porto Alegre in 1901 that later prospered under his son's management. Hugo Gerdau had three daughters, one of whom, Helda, married Curt Johannpeter, a supervisor with the German Transatlantic Bank, who had arrived in Porto Alegre on business. After his father-in-law died in 1939, Curt took over management of the family affairs. With a strategic mind and a strong financial background, Curt moved Gerdau into steel making by acquiring Siderurgica Riograndense in 1948. Thereafter, Gerdau focused its strategy on the minimill technology that utilized steel and iron scrap as raw materials and allowed for smaller size plants, acquiring companies throughout Brazil and Latin America—e.g., Uruguay and Chile—and converting them to this new technology.

Curt and Helda had four sons: Germano, Klaus, Jorge, and Frederico, who initiated the internationalization in Latin America and then continued the company's international expansion by acquiring steel firms in Canada and the U.S. The leader of the siblings was Jorge, the third brother, a lawyer with a brilliant mind and a clear vision of the future, who had the ability to combine Germano´s commercial talent, Klaus´s engineering knowledge in manufacturing, and Frederico´s financial discipline. It was not an easy task as the four brothers, who had the same stake in ownership, were very different, although shared the same values and had good relationships among them. Jorge was recognized as a visionary leader in Brazil and was regularly invited by Brazilian Presidents on their international official trips. Jorge was appointed Chairman by his brothers and remained in that position for decades.

The family's fifth generation, led by André Gerdau, Jorge´s third of five children, expanded operations further to Colombia, Argentina, Mexico, Dominican Republic, Peru, Guatemala, and Venezuela, as well as Spain and India. Gerdau also acquired or built additional facilities in Canada and the U.S., including the acquisition of Chaparral Steel for $4.2 billion in 2007. In spite of many opportunities to diversify into other sectors, the Gerdau-Johannpeter family chose to maintain a strong focus on the production of the long steel bars that were the output of minimills and were primarily used in the construction industry. Only recently, they have made minor forays into other steel products for the automotive, industrial, and agricultural sectors.

The same focus was evident in the importance the family gave to governance processes. On the business side, they worked with McKinsey & Co. to restructure the boards, committees, and shareholder agreements that applied to their various companies. Equally concerned about the unity and harmony of the family, they asked one of the authors to develop a "Family Protocol" designed to assure the family's alignment for the long term. There were four branches of the family corresponding to each of Curt and Helda's four sons; 16 cousins composed the fifth generation. Only five of these had ever worked in the company, but all participated in a three-month internship designed to provide them with knowledge of the company and its operations, and to develop skills that would serve them in their responsibility as owners.

A "Family Council" was created, composed of the four brothers plus one of their respective sons or daughters who rotated every two years. This Council worked to develop unity among all members, dealt with education on family business issues, facilitated the transmission of family values, and promoted the observation of family policies and rules.

The family believed that good governance facilitated the trust all external stakeholders placed on the company, especially the financial institutions and capital markets that were critical to their success. This trust was reflected in lower interest rates and greater capital access with which to finance international expansion.

A third aspect of the company's culture was a strong concern with preparing subsequent generations to lead in the future, particularly in terms of international experience. The career followed by André Gerdau, the current CEO, was exemplar. After several years in domestic operations, he was assigned to Gerdau's Canadian and U.S. operations in order to better understand two of the company's major markets, meet with other industry players and clients, and develop skills to negotiate with global suppliers. When chosen to become the next CEO in 2002, he was well prepared for the position. But the decision to appoint André in that position was not easy as there was a list of 20 possible candidates, almost all of them non-family members. Claudio Gerdau, son of Klaus, the second brother, was André´s main opponent, an engineer who had been responsible for all industrial operations in Brazil with recognized success. Cousins André and Claudio got along very well, but the Board had to choose only one CEO.

By 2015, Gerdau was the clear leader in the long steel segment in the Americas, and one of the largest steel suppliers in the world. With more than 45,000 employees and $14 billion in sales, Gerdau managed operations in the Americas, Europe, and Asia with an installed annual capacity of over 25 million metric tons of steel. The company was publicly listed in Sao Paulo, New York, and Madrid, and had more than 120,000 shareholders, yet it remained firmly in the family's control.

<u>ARCOR</u>

Arcor was founded in 1951 in Arroyito, a small town in the province of Cordoba, Argentina, by young entrepreneurs from four families—three brothers of the Pagani family (Fulvio, Renzo, and Elio), another three from the Maranzana family (Modesto, Pablo, and Vicente), and two each from the Brizio (Enrique) and Seveso (Mario) families. The company was initially in the confectionery business (candies and chocolates), but diversified into other consumer food categories over the years.

Fulvio Salvador Pagani was only 23 years old when he became the leader of the entrepreneurial team that founded the company. He was a very strong man, full of energy and ideas to create and develop the main consumer company in Argentina. He died in a car accident in 1990. His eldest son, Luis, was appointed Chairman of Arcor in 1993 at age 35. He inherited the strong leadership capacity of his father and initiated the company´s international expansion since the beginning of his administration at Arcor.

When Luis Pagani first visited one of the authors in 1997, his family held 45% of the shares in the company. Mr. Pagani acknowledged that "we have a problem: too many family members working in the company." Over the years, the owners had gradually incorporated their relatives into the firm to the point that, "we now have over 60 family members involved, ranging from the Chairman of the Board to the guy who serves coffee in the office." An example of this mess occurred when the secretary to a key non-family manager —who was the daughter of one of the main family owners— announced to her boss that she was invited by his father for a two-month trip to Europe, so he will have to find a replacement while she was on vacation. Mr. Pagani considered this mess and the number of family members excessive in a company with 3,000 employees, especially when

many of them were not qualified to occupy their positions... and they have stopped it then. Six years later, in 2003, the Pagani Cagnolo family (Luis´s family) took control of the company by buying out some of the other families and began implementing additional changes in the organization and professionalization of the company.

Following the Argentine crisis of 2001-2002, the peso was devalued by more than 70% and all dollar-denominated bank accounts were subject to forced peso conversion at discounted rates. The monetary shock resulted in an economic contraction of over 20% relative to 1999, and GDP fell by another 15% over the next two years. Unemployment rose to 25% and income poverty reached 54% of the population. In this climate, Arcor's domestic sales dropped by 60% (a drop of $350 million vs. 2001) and the company teetered on the edge of bankruptcy.

Luis Pagani, with the support of his five siblings (Claudia, Lilia, Fulvio, Alfredo, and Mario), imposed a series of drastic actions involving financial restructuring, changes to the product portfolio, acceleration of payment cycles, and, most importantly, a strong strategic redirection that transformed Arcor into a truly international company reducing its dependency on the volatile Argentine market.

There were two key elements of this new strategy. The first consisted in emphasizing certain products and foreign markets, as well as choosing between direct and indirect distribution for each. The second element was a decision to seek a number of strategic alliances with key world-class players in order to expand Arcor's product range, international penetration, and technical capabilities. Two of these involved agreements with Nestlé for the production and sale of ice-cream products and with Brach in chocolate confectionery. A third alliance was reached with Danone in 2005 by which the two

companies unified their businesses in cookies, alfajores (a South American candy bar), and granola bars in Argentina, Brazil, and Chile, thus giving birth to the largest cookies company in South America. This association, named Bagley Latinoamérica S.A., managed 7 plants across the region and launched more than 40 new products annually. Finally, in 2007, Arcor entered into a fourth strategic association with Group Bimbo (Mexico), one of the world's largest producers of bakery products. This venture, Mundo Dulce, included the production of candy and chocolate products for the Mexican and export markets (Ghemawat et al., 2009).

Argentina's historically protected market had always been large enough for Arcor to enjoy financial success. The 2001-02 crisis changed this dramatically and was the trigger that drove its internationalization. At that time, Luis Pagani and the main company executives liked to talk about the "Four Arcor" throughout the 50 years of the company´s life. The four stages were: 1) The company origins in a province (Cordoba): 1951-1969; 2) The multi-product company with national distribution and initial exports: 1970s; 3) The national food group with incipient internationalization: 1980s; 4) The South American group with international projection. But they also envisioned a fifth Arcor: the global company (Kosacoff et al., 2001).

Having the global company vision in mind, Arcor created in 1998 a plan to attract young talented professionals ("Plan de Jóvenes Profesionales"). This program, developed at the corporate level but in connection with Arcor´s foreign subsidiaries, was 12 months long and admitted college graduates with good academic backgrounds and less than 27 years of age. Between 1998 and 2000, the company hired 139 young professionals under this program (Kosacoff et al., op. cit).

By 2015, Arcor continued to be the leading foodstuff company in Argentina, but it was also the world's largest candy manufacturer with annual revenues of about $3.5 billion. Its product range in confectionery, chocolates, cookies, crackers, ice creams, agro-industrial products, and foodstuff is manufactured in 40 industrial plants located in Argentina, Brazil, Chile, Mexico, and Peru. Arcor's leading brands in several of these fields are distributed in over 120 countries on all five continents.

PROEZA S.A.

Guillermo Zambrano founded Proeza in Monterrey, Mexico, in 1956, as a manufacturer of steel products. In 1962, the company entered into a 60/40 joint venture with A.O. Smith of the U.S. to gain technological expertise to supply structural parts to the automotive industry. This company, named Metalsa, was managed by Proeza as part of its business portfolio.[7] Following the 1982 financial crisis, the Zambrano family decided to hedge against domestic market and currency risks by expanding abroad. By 1990, Metalsa's automotive sales reached $100 million, 33% of which were exported. The signing of the NAFTA agreement in 1994 provided a new impetus to the internationalization process, as most auto manufacturers integrated operations across North America. A new family protocol and council established for the Zambrano family in the mid-1990s led to the appointment of one of the authors to the company's Board of Directors in 1995.

In 1997, A.O. Smith sold its automotive division, including the 40% it then held in Metalsa, to Tower Automotive. Three years later, Metalsa acquired Tower's heavy truck division and restructured all operations into two plants in Virginia, USA, and Monterrey. As a result, Metalsa became the primary supplier of structural elements to major multinational

truck manufacturers and the leading competitor in North America. By 2000, auto and truck sales exceeded $400 million, with 66% abroad.

As Metalsa's ambitions grew it increased investments in technology and upgraded its capabilities through judicious acquisitions. In 2007, when Tower filed for bankruptcy, Proeza acquired full control of Metalsa. A year later, North American car and truck sales fell by more than 35%. This created an opportunity to acquire the Structural Products Group of Dana Corporation, a firm that was roughly the same size as Metalsa. The Dana acquisition, completed in March 2010, increased Metalsa's share of the North American structural components business to 40%, making them first in commercial vehicle chassis and second in light vehicles chassis. It also brought to Metalsa a total of 10 plants in 6 countries, including subsidiaries in Brazil, Argentina, Venezuela, Australia, and a joint venture in the UK. Metalsa was now a global player with close to $2 billion in sales, serving major clients in the heavy truck and light vehicle sectors, with 95% of sales outside Mexico.

The company's financial conservatism in such a cyclical and high capital intensity industry-led Proeza to avoid debt at the holding company level, and to keep financial leverage low at the subsidiary level. This, plus its excellent relationship with major U.S. banks, provided access to financing at very competitive rates to buy critical strategic assets in times of crisis (therefore at low prices) and on reasonable terms. Thus Proeza avoided one of the typical dilemmas of family firms: financing growth while maintaining control.

For years Proeza explored options to enter China's truck chassis market, but potential partners insisted on majority control and complete transfer of technology, conditions not acceptable to the Zambrano family. Instead, Proeza accepted an offer from the Tata Group to build a truck chassis plant in Jamshedpur in 2008, close to Tata's truck manufacturing

facilities in Kolkota, India. It took Metalsa six months to obtain the land for a greenfield plant and they had to bring electricity from 25 km away. Enrique Zambrano, Proeza's CEO, acknowledged that they were unprepared for the bureaucratic complexity and poor infrastructure they encountered in India, and it took them six years to reach break-even. Yet, this experience of operating in an institutional environment even more severe than that found in Mexico paid off when they opened a similar plant in Thailand in 2014.

In 2013, Metalsa purchased a German manufacturer of structural parts from a private equity firm. A supplier to Mercedes and BMW, with subsidiaries in China, Turkey, and South Africa, it provided access to prestigious customers and new markets. But problems emerged when German managers were reluctant to take direction from a Mexican executive, setting Metalsa's turnaround plan for the company back by a year. When Metalsa obtained its first Toyota contract in the U.S. in the mid-2000s, the company sent 100 workers and engineers to work in Japan for six months to learn the "Toyota way." Similar efforts had been put in place previously after the acquisition of Tower's U.S. truck chassis business. Zambrano concluded that the German problems were the result of Proeza not having made similar efforts or taken the time to invest in the right people to facilitate integration. As a result, Proeza committed to an HR policy where cultural principles and values are validated globally, to frequent exchanges of personnel among subsidiaries and HQ, and transparency and open communications.

By 2015, Metalsa was operating in a dozen markets on four continents with a leading technical position in truck chassis and strong competitiveness in automotive structural parts. Annual sales exceeded $3 billion with global R&D expenditures >2% of revenues. When competing against giant publicly traded companies, Proeza had to remain agile and

flexible, making decisions against the grain, but always in a focused way, aiming to be #1 or #2 in their chosen market segments.

Espírito Santo Financial Group

The Espírito Santo Financial Group (ESFG), made up of Banco Espírito Santo and its many subsidiaries, BES Investimento, and several insurance companies, was bailed out in July 2014 by the Bank of Portugal to the tune of $4 billion in the face of massive losses. The Portuguese regulators took over the bank and removed all members of the Espírito Santo family from management, with some facing criminal charges for money laundering, fraud, and misrepresentation of financial statements. The banking assets were split into two entities—Banco Novo (a "good" bank) operating in Portugal, and Banco Espírito Santo (BES), which owned troubled affiliates in Africa and the Americas. Both were under a mandate to be sold or liquidated.

In 2007, one of the authors joined the board of directors of Espírito Santo Bank (ESB), a state-chartered bank in Miami, Florida, and a fully owned subsidiary of BES. While severely affected by the 2008-10 financial crisis, ESB had been successfully restructured by 2012. Not so the family's non-banking investments—in agribusiness, tourism, and other sectors, mainly in Africa and South America—that required large injections of capital. To maintain control, ESFG issued short-term commercial papers at several of its European holding companies and, in violation of regulatory requirements, provided credit from its banking subsidiaries (in Panama, Angola, and Libya, for example) to these companies. As the situation worsened in early 2014, the losses mounted and two of the holding companies declared bankruptcy. The intervention by Portuguese authorities followed.

BES had been in the family's hands since the late 1800s. After the 1974 "Carnation Revolution" that overthrew Portugal's dictatorship, all banks and insurance companies were nationalized without compensation. The Espírito Santo family fled Portugal and took refuge in Brazil, Switzerland, and Luxemburg, where they began to rebuild their business. A decade later, the group's holdings included banks in Sao Paulo, Paris, Geneva, and Miami, when in 1985 a new democratic government invited the family to return to Portugal. With the help of French bank Crédit Agricole they opened a bank in Lisbon and in 1991 when the government reprivatized all financial institutions, the family bid for its old properties. In doing this, a complex corporate structure was created with Espírito Santo Control (ESC), the family holding, at its apex. ESC owned a significant share of ESFG, a public company listed in both the London and Luxembourg exchanges. ESFG in turn owned a controlling interest in BESPAR, the main shareholder in BES, where Crédit Agricole held a significant minority position, and which was listed on Lisbon's stock exchange. BES had over €100 billion in assets and nearly €9 billion in capital, all controlled by the family through this convoluted pyramidal structure.

In 1991, the family council elected Ricardo E.S. Salgado as Chairman of the group. In parallel, the family created a sister company to ESFG named ES Resources, which acquired all non-regulated activities in agribusiness, tourism, real estate, and health services, in Portugal, Africa, and South America. Many of these were long-term plays that required considerable financing for which ES Resources issued commercial paper through several of its subsidiaries,[8] paper later sold to customers of BES and BES Investimento, the investment banking arm of the group.

In 2012, the Bank of Portugal ordered an audit by PwC that revealed a number of irregularities and which drove the Central Bank to order BES to create a reserve for the commercial paper sold by ES Resources. Soon thereafter, the Angola banking subsidiary that reported directly to Mr. Salgado revealed a major discrepancy in their accounts. This was soon followed by the bankruptcies of two ES Resources affiliates and the intervention of the Bank of Portugal in July 2014. The family's attempt to maintain control at all costs had led to the creation of an impenetrable pyramidal structure that increased risks at all stages and hid them from the public and other investors. Problems in the unregulated and unaudited businesses, based in multiple jurisdictions and subject to creative accounting, flowed into the healthy financial entities through the vehicle of inter-company lending. This, combined with the funding of long-term investments with short-term debt, spelled disaster, not only for ES Resources and its subsidiaries, but also for BES.

Furthermore, dysfunctional family governance derived from Salgado's penchant for absolute control. He and three other senior family members, plus their long-term "consiglieri," constituted the family council. No one ever questioned his judgment until 2013 when the notion of "alternate members" was introduced. One of these, José Maria ES Ricciardi, head of ESFG's investment bank and the son of a sitting council member, challenged Salgado at a council meeting and asked for a no-confidence vote. Salgado won the vote, including the support of Ricciardi's father, and the younger man was banished from the council. No decision, however trivial, was made without Salgado's consent. The family permeated the company, with nearly 300 relatives working throughout the group who, indebted to Salgado for their livelihood, did his bidding. Loyalty to the family was

paramount, which led to sentiment in the group that they were above the law, operating in a world where they could write their own rules; until reality caught up with them.[9]

III. ANALYSIS AND PROPOSITIONS

Many of the issues faced by large family-controlled companies in their international expansion are not much different from those faced by other large companies. Cross-cultural management problems, difficult trade-offs between risk and commitment, adjusting to different institutional settings, overcoming the liabilities of foreignness, promoting inter-subsidiary coordination, developing management talent, dealing with the financial requirements of global expansion, etc., are all challenges experienced by global players, whether family-owned or not. Furthermore, it seems that family-controlled firms based in emerging markets face similar challenges to EMNCs in general, based on a host of issues such as institutional voids, underdeveloped capital markets, protectionist domestic policies, political and economic instability, and insular business perspectives, among others.

In parallel, however, questions of proper governance, the development and promotion of future generations of family managers, the role of professional management, issues of openness and transparency, the divergent interests of family and business, maintaining owners' control, and succession planning, for example, are different for family-controlled companies, especially in large firms like those described above, regardless of their international scope.

In the sections below, we review a number of insights derived from our case histories and contrast them with the extant literature. We then suggest a series of propositions that

address the intersections of these fields of inquiry. We organize the discussion in four somewhat arbitrary categories: (1) the dichotomy of financial resources and control; (2) the conflicts between undertaking commitments and risking the family's heritage; (3) the need to hire, train and develop future generations of managers; and (4) the challenge of insuring family unity through the careful adoption of sophisticated governance mechanisms.

Financial Resources and Control

The need to maintain control while growing internationally presents a difficult dilemma for family companies (de Visscher, Aronoff & Ward, 2011; Villalonga & Amit, 2010). One typical solution is to create elaborate pyramidal structures (Villalonga & Amit, 2008), but the ESFG case shows the dangers associated with such an approach and they are illegal in many regulatory environments. A better solution may be to expand gradually, maintain conservative leverage, and use non-traditional sources of funding, such as global banking relations, JV partners, and other patient investors, who share the family's commitment to long-term success (Swinth & Vinton, 1993; Yeung, 2000). A cautious approach to global expansion may limit some opportunities or stretch out the globalization process over time, but it allows for learning to occur, the maintenance of family control, and time to develop the human resources needed for globalization.

Although it is true that for all firms the international expansion is influenced by the availability of financial resources, this scarcity of resources tends to be more pronounced in family firms as these companies are more debt-averse and therefore try to employ their capital to do so.

Every successful case in this collection illustrates the choice of a cautious and gradual approach to international expansion by family companies, regardless of their origin. They include the Bemberg group's gradual regional expansion into neighboring markets before it attempts to enter North America; Proeza's expansion to the U.S. market, first by exports, then by small investments that grew over time, followed by major acquisitions into the Americas and later Europe and Asia; and Carozzi's gradual regional expansion starting in Argentina and later to other neighboring countries. Whether other companies, not family-owned, may have moved faster in similar circumstances, is an empirical question (Graves & Thomas, 2008; Villalonga & Amit, 2006). ESFG provides inverse support to this proposition; their rapid international growth, both in banking and other sectors, created the conditions that led to their need for risky financial strategies and their dramatic collapse.

As noted earlier, this gradual approach is consistent with the updated Upsala model (Vahlne & Johanson, 2017). Entry strategy by family companies seems to follow a pattern of incremental commitments over time as both risks and returns are better evaluated and learning occurs. Our cases also demonstrate a dynamic nature to the process. The Carozzi, Gerdau, Arcor, and Proeza case histories support both an *options* view (Brouthers, Brouthers & Werner, 2008) as well as a *learning* view (Casillas & Moreno-Menéndez, 2014) on how entry mode choices are made over time.

From these examples we can formulate that:

Proposition 1: Family-controlled companies tend to time the growth, development, and mode of entry for their global operations to match the availability of financial resources that are either internally generated or sourced from "friendly"

parties to a greater extent than publicly traded companies, irrespective of their domestic origin.

As a result of this trend—a cautious path of capital expenditures and a risk-averse entry strategy in the early years—many of our sample companies showed a propensity for collaborative approaches in their foreign operations. This was certainly the case from the beginning for Proeza and Carozzi, and later for Arcor as they ventured further from home (e.g., Mexico) and their core products (e.g., into ice-cream and bakery products). Such collaborations can provide "friendly" resources to family companies (Boyd, Goto & Hollensen, 2010; Swinth & Vinton, 1993; Yeung, 2000).

The evidence from our cases and the limited empirical studies cited above, lead us to formulate the following proposition: As family firms can take a longer-term perspective in business (Ward, 1998), it may provide them with a differential advantage in global operations. The development of relational quality is critical to success in collaborative agreements (Ariño, de la Torre & Ring, 2001). Potential foreign partners value the fact that family members sitting across the negotiating table from them at the start of a joint venture will be the same people they will deal with next year and next decade, in contrast to public company executives who may be soon transferred. The ability to convey such a level of trust and confidence may be a strategic asset as family corporations expand internationally (Stevens & Makarius, 2015; Swinth & Vinton, 1993). This is particularly true when the foreign partner is another family firm with similar cultural values and understanding (Fuentes-Lombardo & Fernandez-Ortiz, 2010). The Carozzi case clearly demonstrates this preference, as the family owners rejected experienced multinational companies as

potential partners because of the implications for family control and managerial independence.

The Arcor experience, on the other hand, might seem to refute this view as they elected to collaborate with large multinational companies. They did so, however, only as they entered new fields outside the company's sphere of competence or more distant (and presumably less well-known) markets (Luiz, Stringfellow & Jefthas., 2017). Therefore:

Proposition 2: Family-controlled companies will prefer to partner with similar companies (e.g., other family firms), both for reasons of proximity in values and managerial style, as well as to insure greater control over operations in their core products and markets.

As with many issues regarding family companies, there is disagreement on "the impact of family ownership and influence on different aspects of internationalization" (Pukall & Calabró, 2014, p. 1). This is the case regarding the question of whether family companies prefer market entry through acquisition as opposed to greenfield investments. Most of our examples (e.g., Bemberg, Carozzi, and Gerdau) appear to favor the former although Proeza showed a penchant for greenfield investments in their latter expansions abroad (i.e., India and Thailand). It is not clear, however, if these cases lend any support to Mariotti, Marzano, and Piscitello's recent argument (2021) that generational heterogeneity plays a key role in such choices. Their conclusion that family firms prefer greenfield investments, particularly when in the hands of their founders or authoritative successors is not borne out by our sample. Neither is the recent proposal (Xu, Hitt & Miller, 2020) that firms with a "dominant" family owner prefer lower equity ownership upon entry into foreign markets

as a vehicle to preserve the family's socio-emotional wealth (Gómez-Mejía et al., 2007 and 2011).

Proposition 3: Given this propensity, family-controlled companies will show a preference for acquisitions (partial or full) when entering foreign markets relative to other firms, as these arrangements allow for more flexibility in terms of the financial commitment involved in any market entry decision.

Opportunities, Commitment, and Risk

A potential advantage of family companies in global markets is their ability to make quick decisions with long-term payouts without the impediments of complex management structures or fickle capital markets (Gersick et al., 1997; Kets de Vries, 1993; Ward, 1988). This capacity may be tempered by the risks implied to the family's patrimony as the firm moves further away from its comfort zone, i.e., its home country or region. Furthermore, it appears that in those cases where there is a strong family leader, particularly of the second or third generation, these advantages will be more pronounced (Fernández & Nieto, 2005; Okoroafo, 1999). More recent work on the speed of internationalization (Li, Qian & Qian, 2015) corroborates the importance of individual and psychological factors on the speed of expansion of born-global firms, with implications for decision-making in family firms.

In general, large family-controlled companies tend to be quicker in decision-making to take advantage of opportunities —as opposed to publicly-owned firms— because in most family ones the CEO or Chairman is the main shareholder and thus the decision is finally made by him or her. And some of these opportunities are related to international expansion and entry into foreign markets. On the contrary, in large publicly-owned firms,

the opportunity tends to lose momentum as the decision has to be taken by different committees and boards, and very often those bodies are located very far from the place where the opportunity originated.

Our cases provide some evidence of these effects. Proeza, Gerdau, and Arcor, among others, showed evidence of family firms moving quickly to take advantage of global opportunities in the middle of crises and in spite of considerable risks. This behavior seems to be typical of strong leaders in newer generations (Menéndez-Requejo, 2005; Okoroafo & Koh, 2010; Okoroafo & Perry, 2010). We would argue that ESFG offers a counter warning as its powerful chairman undertook excessive risks and expanded rapidly into many foreign markets, but the issue there was more one of expansion into unrelated industries and excessive financial exposure rather than internationalization per se. Therefore:

Proposition 4: Family-controlled companies may be faster to take advantage of foreign opportunities (and assume greater risks) involving international expansion decisions than comparable other companies.

The literature is unclear on whether a unified or concentrated family structure has any impact on the speed and risk of international investments relative to loser arrangements or multi-family corporations (Arregle et al., 2019; Fernández & Nieto, 2005 & 2006; Yeung, 2000). In the case of the Bemberg group ownership and control resided in multiple branches of the original founding family, and they proved reluctant to make significant bets on global expansion. The risk/reward balance associated with a strategy of international growth that involved distant markets (Canada) in different institutional settings was viewed as too high for the preservation of their patrimony and led the owners to the sale of

the company. Their cautious and conservative views were incompatible with Mr. Morita's ambitious plans and strategy. He sensed this discrepancy and resigned as CEO shortly following the failure of the Labatt acquisition. It fell to his successor to implement the owner families' gradual exit from the beverage business in South America.

In contrast, the Arcor, Carozzi, and Gerdau cases exemplify the ability of a coordinated and unified control to execute a well-crafted global strategy, despite the underlying risks, even within a fragmented family structure. Even the ESFG case, as disastrous as it was, lends credence to the argument that a unified command can impose significant risks on the company, to its detriment in this case (Graves & Thomas, 2004).

A related observation regards the role played by a family leader in these processes. The cases of Gonzalo Bofill de Caso and his son Gonzalo Bofill Velarde (Carozzi), Luis Pagani and his father Fulvio Salvador Pagani (Arcor), and Jorge Gerdau Johanpeter and his son André Gerdau (Gerdau) are good illustrations of this issue. Each of them has been a key element in the internationalization process of his company or group.

Thus, we pose that family structures matter (Arregle, et al., 2019) and that:

Proposition 5: Family companies where there is clear leadership and unified strategic control will be more willing to support international expansion than those where the control of the company is in the hands of various families or branches of a family.

Regarding this last proposition, we can also observe a difference between large family-controlled companies and publicly-owned firms. Family CEOs or Chairmen are usually more committed to the internationalization process as compared to non-family ones because they are the controlling owners or represent the majority of ownership.

On another topic, concerning diversification, although a focused strategy is also followed by non-family firms, we observe that family-controlled ones are more prone to concentrate their efforts and investments in one or few industries (Gómez-Mejia et al, 2010). The companies in our sample, particularly those that proved most successful over time, were focused on narrowly based areas of expertise (Hennart, Majocchi & Forlani, 2019; Simon, 2009). This was certainly the case for Gerdau and Proeza. It was also the case of Carozzi as this company diversified in different consumer categories but it did so within the food industry, not investing in other industries. ESFG, on the other hand, diversified widely into fields far from their core competence and paid for it dearly. One caveat to this "niche" strategy is offered by Eddleston, Sarathy, and Banalieva (2019), who argue that this effect is not universal but depends on other institutional factors, particularly the home country's degree of pro-market development.

Consequently, we argue that irrespectively of national origin:

Proposition 6: Family companies tend to structure their global expansion within narrow fields or "niches" where they hold specific competencies in a greater proportion to other companies whose international expansion takes place in unrelated fields.

Human Resource Development.

The ability of family-controlled companies to attract managerial talent has been a major issue in the literature (Gersick et al., 1997; Ward, 1988). This problem has at least two components. One relates to the process of professionalization required to attract top-level managerial talent from outside the family (Alayo et al., 2019; Eddleston et al., 2019). The

second concerns the need to put in place educational and training programs to prepare future generations of family members to participate effectively in running their company. Global expansion exacerbates both of these problems for family companies: it compounds the problem of attracting outside talent since it now must do so across cultural and national boundaries, and it makes the educational task for family members more complex, distant, and time-consuming.

The case of Arcor and its "Plan de Jóvenes Profesionales" is a very good example of a program to attract young talented professionals outside the family in the company´s effort to become a global firm.

Proeza's difficulties in managing its investments in India and Germany reflected a scarcity of personnel capable to handle such complex startup and turn-around roles (Chang & Shim, 2015). Carozzi's insistence on preserving its value system, combined with a prohibition of family members in management, made it difficult for them to obtain the necessary talent for its growing international subsidiaries. Other companies in the sample also experienced difficulties in finding the right people for their foreign operations.

As a result, we argue that:

Proposition 7: Family-controlled companies will be at a disadvantage in attracting top-level managerial talent particularly as they grow their international operations unless they make concerted efforts to professionalize their management structures and develop their key managerial personnel.

Regarding the managerial development of family members, several of our family firms showed remarkable initiatives in this direction. Gerdau for example already involved its fifth generation in management development processes; Proeza were doing the same with

its third-generation members. In these two companies, young family members wishing to access senior management positions must start by obtaining a first-class university education, then acquire work experience outside the family business for a few years, and, thirdly, be exposed to their company's international operations (Graves & Thomas, 2008). Failure to do this properly could have serious consequences as illustrated by ESFG's difficulties, which could be partly attributed to the 300 family members working in the company who were not particularly trained to handle their level of responsibility. In contrast, Pagani's process of "cleaning house" at Arcor insured that any family member within the company had the necessary skills to perform well.

Mr. Zambrano of Proeza believed that an aggressive and comprehensive HR development strategy was fundamental to their ability to continue to grow internationally (Banalieva & Eddleston, 2011). This commitment to a professional management approach in all their businesses was enshrined in the family protocol and monitored by a Corporate Board that included 5 independent directors. Furthermore, as the auto business expanded globally, Proeza created a separate board for its Metalsa division, one that included four international executives with considerable industry experience (one American and three Europeans), plus Metalsa's general manager and two senior executives from the holding company (Zambrano and the group's CFO). Beginning in 2015 an additional member of the family's second generation, plus two from the third generation, also joined Metalsa's board, a process designed with the dual purpose of cross-generation engagement and talent development. In Carozzi, both Gonzalo and Pablo Bofill Schmidt, members of the next generation, graduated with MBAs at Columbia before joining the group at the Board level. From these cases, we conclude:

Proposition 8: To the extent that family-controlled companies rely on family members to lead their international expansion, they must put in place sophisticated and well-planned educational and training programs for those slated to enter the business.

Governance.

Corporate governance is, of course, a well-trodden issue in both the literature and in managerial practice (Carlock & Ward, 2001). It is a key element for all kinds of companies to make the most important or strategic decisions and to professionalize the organization. But family governance —i.e., establishing a well-conceived family council, family constitution or family protocol, etc.—is different, and it is something unique and exclusive for family firms (Gersick et al, 1997).

The experience of our sample companies demonstrates that family governance is particularly critical for international success. This derives from the fact that good governance can provide alignment in decision-making that facilitates international expansion and risk-taking (Lansberg, 1999; Martínez, 2010; Ward, 2004). Furthermore, good family governance may provide a competitive advantage in dealing with external stakeholders who control resources critical to the family's expansion plans. Whether these are capital markets, important suppliers, potential joint venture partners, or distributors in global markets, a well-run company with strong family governance inspires trust, stability, respect, and admiration to the advantage of the organization.

Gerdau and Proeza, in particular, invested heavily in such mechanisms and considered them essential to their success. Similarly, the failure of ESFG can be attributed in part to

the lack of strong governance where dissent was squashed and autocratic rule remained unchallenged and unconstrained. Thus:

Proposition 9: Family-controlled companies with sophisticated corporate and family governance mechanisms will outperform similar companies without such mechanisms in terms of their international operations.

IV. CONCLUSIONS AND CLOSING COMMENTS

Finally, are large family-controlled firms really different from publicly-owned ones? This is the key question that emerges as a result of the description of the six histories and the analysis and propositions that we have presented above. As someone with deep knowledge in the family business field pointed out: "family sort of attitudes, values, etc. are more pronounced early on in the development of the company and gradually a professionalization takes over. If true, this will highlight why large family-controlled firms are not so different from publicly owned companies."

Despite the above statement being correct and large family-controlled firms tend to behave and act very similar to publicly owned ones as they grow and professionalize, we do believe there are some significant differences in both kinds of companies. And those differences are precisely contained in the propositions we have presented before.

We believe that the nine propositions that emerged from our discussion of these six cases and the relevant literature illuminate many of the critical differences that characterize family companies in their international expansion. Although clearly not representative of the universe of family companies, we feel that this sample derives particular value from two factors: the role the authors played as participant observers in all

cases, and the longitudinal nature of the data (Metsola et al., 2020). As stated earlier, we were intimately involved as advisors or board members in the discussions that led to these companies' evolving international strategies, family policies, and their governance choices. Consequently, we feel that we had a privileged vantage point from which to examine the conditions and motivations for each company's expansion over the many years when we served in those positions.

A limiting factor is the absence of a paired sample of public companies against which we could test the strength of these propositions. But the cited literature on the globalization processes of multinational companies is vast and provides the theoretical and empirical basis for such comparisons. We made use of such historical data to highlight the differences that we felt ownership factors made to the decision-making process.

Our sample is also unique in terms of the size and notoriety of the firms involved. It included one family-owned company from Portugal and five based in Latin America (Mexico Brazil, Argentina, and Chile), many of them household names with globally recognized brands. This allowed us to suggest some examples where the national origin of the company had an impact on its decisions. Issues such as the cost of financing and the institutional distance to other markets were paramount in this regard. Yet it appeared to us that there were greater similarities in the conditions faced by family-owned and public corporations because of their national origin than was the case for the impact of ownership regardless of national origin.

In summary, the narrative from these case histories as well as the partial evidence available from existing research lends credence to our basic argument that the international expansion of family-controlled firms, while in many ways a mirror of the

broader experience of all firms as they expand globally, do present particular challenges that are exacerbated by the very nature of family relations and constraints. The eleven propositions presented above embody our best judgment on how the evidence from the case histories supports or not the research in the fields of international business strategy and family firms. We believe that these propositions are eminently testable provided appropriate data sources can be found, always a critical issue in both of these research areas. Future work will determine if they are indeed valid or not, and the results should be of great importance to a world in which family companies continue to account for a significant share of economic activity.

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[1] These descriptions are necessarily brief in order to fit journal specifications. More detailed documentation, those not confidential in nature, can be obtained from the authors upon request.

[2] The average annual revenue of the eight firms in Graves & Thomas (2008) research was under $10 million and their foreign activities consisted only of exports. The five firms in Dominguez & Mayrhofer's study (2017) had average yearly sales of nearly €20 million and operated a total of 14 foreign subsidiaries. Lahiri et al. (2020) considered only firms with annual sales revenues of less than €50 million. In contrast, our sample firms had an average annual turnover in excess of $1 billion and were engaged in substantial direct foreign investments in multiple countries.

[3] Argentina had adopted what later became known as the "Washington consensus" following the success of Chile with such policies. Other Latin American countries followed suit in the early 1990s, resulting in much growth and optimism in the region. Brazil did not adopt such policies until 1994. See Costin & Vanolli (1998).

[4] For a detailed history of SAB's international growth and development see Luiz, Stringfellow & Jefthas (2017).

[5] In 2014, AB Inbev acquired all of SAB-Miller, then the second largest brewer. The transaction was completed in October 2016, following divestment of SAB-Miller's interests in Molson Coors, as well as its sale of Eastern European breweries and several brands to Asahi Breweries as conditions for regulatory approval.

[6] Tiger Brands also contributed technology and new product ideas to the Carozzi organization.

[7] This case history is limited to the activities of Metalsa, the automotive division of Proeza. The parent company had other divisions in agribusiness, information technology and healthcare.

[8] Principally through Espírito Santo Financiére International Ltd, a 100%-owned subsidiary of ESFG. Others include ES International and Rioforte.

[9] The various properties of the group have been liquidated progressively since 2014. The government's Resolution Fund sold 75% of Banco Novo to a U.S. private equity firm, Lone Star. BES Investimento was sold to Haitong Securities of China which now trades as Haitong Bank. All non-financial assets under ES Financial, the original source of all the problems, have been gradually liquidated to compensate various claimants in the bankruptcy proceedings. ESB was sold to Banesco USA for less than 15% of its pre-crisis capital. Finally, Mr. Salgado was indicted for bank fraud and 61 other financial felonies, including claims of malfeasance in transactions involving a former Prime Minister, Jose Socrates, and Portugal Telecom. He is currently under house arrest in Lisbon.

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Table 1: Company Data

COMPANY	INDUSTRY	SIZE*	FAMILY	HQ COUNTRY	AUTHOR'S ROLE	SALIENT ISSUES	OUTCOME
Grupo Bemberg	Beer, beverages	$0.5 to $1 billion	Several branches of the Bemberg family in Europe & Argentina	Argentina	Consultant to CEO & Top Mgt. Team; 1989-97	Global competitors Home base financial limitations Family unity	Negative**
Empresas Carozzi	Pasta, sauces, confectionery, consumer and pet foods	$1 to $2 billion	Bofill; Three generations	Chile	Member of the Board; 1992-99	Capital for international growth Preserve control & family values Partner selection	Positive**
Gerdau	Steel products	>$10 billion	Gerdau-Johannpeter; Five generations	Brazil	Consultant to family; 1999-2001	Focused global strategy Business & family governance Succession planning & management	Positive**
Arcor	Chocolates, candy, cookies, ice cream, bakery	$3 to $5 billion	Multiple families initially. Pagani Cagnolo family; two generations	Argentina	Consultant to family; 1997 and 2003-04	Conflict between families Participation in management JV selection Coping with domestic crisis	Mixed, then positive**
Proeza, S.A.	Automotive components	$3 to $5 billion	Zambrano; Three generations	Mexico	Member of Board of Directors; 1999-2005	Global competitors Technology leadership Financial strategy Business & family governance	Positive**
Espírito Santo Financial Group	Banking, financial services, insurance	>$10 billion	Espírito Santo; Four generations Many branches	Portugal	Member of U.S. subsidiary Board; 2007-15	Diversification Pyramidal structures Short vs long-term leverage Central control; governance	Negative**

* Size is measured in terms of annual sales.
** A positive outcome means that the company had a good evolution in terms of financial results, while a negative one means the opposite.