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GLOBAL FAMILY CAPITALISM

A BUSINESS HISTORY PERSPECTIVE

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Business Heterogeneity, Strategic Behavior, and Growth

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Introduction

One of the main characteristics of Colombian business development is the predominance of family in business (Dávila 2003). Families across generations invest in different businesses, ensuring the continuity of their values and the family (Fernández and Lluch 2015). This aspect, with the characteristic that ownership and control vary from generation to generation, is a common pattern in Latin American development. In in the case of Colombia, the activities of regional entrepreneurs organized as family businesses have marked economic and entrepreneurial development since 1910 (Molina 2000). Still today, they are resilient regional threads weaving together tradition, innovation, and the ever-changing currents of socio-economic dynamics.

Family ownership has evolved during the twentieth century, ranging from marginal ventures to business groups. Despite the diversity of trajectories, it is often observed that most family businesses started as marginal businesses. In contrast, few started with substantial capital or foreign investors, and many remained informal before formalization. As a result, several family businesses survived Colombia's challenging and complex geographical, political, economic, and institutional conditions. Equipped with good fortune, adaptability, and a knack for identifying business opportunities, their founders (often a married couple supported by their older sons) achieved early diversification of economic activities and, occasionally, expansion to other regions, even countries.

Historically, family businesses in Colombia have primarily fallen into one of three categories.

The most common have been marginal and informal family businesses, which often arise due to low-entry barriers and prevalent informal business practices across various regions. These enterprises begin with minimal capital investment, providing essential goods or services without requiring extensive technical knowledge or significant physical assets (Bhidé 2003). Despite their short life and limited potential for growth and profitability, they play a crucial role in the economy by providing employment and meeting the immediate, urgent needs of families and communities, particularly in sectors like agriculture, retail, small-scale manufacturing, and services.

The most studied are medium and large stand-alone firms established by family members who have managed to grow and sometimes expand their businesses nationally. These family fortunes were linked to a diverse range of industries, including commercial, mining, and agricultural activities from the late nineteenth century. This diversity enabled them to integrate into the production of essential industrial goods such as textiles, food, and some intermediate goods between the 1910s and 1980s. New families who started businesses in the 1980s also emerged by achieving rapid growth and visibility in a variety of industries, such as restaurant chains, exemplified by Frisby founded by the Hoyos-Restrepo family (Zuluaga and Rodríguez-Satizábal Forthcoming) and Crepes & Waffles established by the Fernández-Macia family (Lluch 2018). Following the liberalization of the 1990s, many redirected their capital towards services and finance.

The most visible are large, diversified family-owned business groups, controlled through holdings (Grupo Santo Domingo) and family foundations (Grupo Carvajal), which consolidated since the second half of the twentieth century (Rodríguez-Satizábal 2020, 2021; Rodríguez-Satizábal and Castellanos-Gamboa 2023). The Colombian group-affiliated firms were founded on the basis of family ownership, learning-by-doing, and innovation by imitating the features of the firms in the developed countries. In the 1950s, 13 business groups with group-affiliated firms, mainly in manufacturing and agriculture. By the 1980s, the number increased to 25, including groups dedicated exclusively to finance. The number of groups continues increasing even today, as the flexibility of this organizational form has allowed families to continue growing their members' participation in business. As a result, by the end of the 2010s, the number of large, diversified family-owned business groups reached 100.

This chapter embarks on a comprehensive analysis of the evolution of family businesses and entrepreneurial families in Colombia, delving into the pivotal elements of context, family events, and the long-term strategic evolution that has shaped and defined family-owned enterprises in Colombia over the past century. Colombian family businesses range from large business groups to local informal businesses, with others highly innovative alongside those maintaining dominant positions through State capture and clientelist practices. This heterogeneity in characteristics and evolutionary paths challenges any attempt to provide a historical perspective of family businesses.

This historical synthesis will elaborate on the identified phases and main arguments, concluding with an analytical model equipped to analyze the breadth of extremes that are family businesses in Latin America. In addition to outlining an analytical framework to guide future research, this chapter offers a comprehensive view of Colombian family businesses' diverse and changing nature. We identify three phases in the evolution of these businesses, followed by a discussion on the main strategies of the Colombian family firms to evolve within a turbulent context.

From Stand-Alone, Illegal, and Informal Family Businesses to Diversified and International Business Groups: The Extremes of Colombian Family Capitalism

The characteristics of the Colombian business system, dominated by family businesses, several multinationals, and a few state-owned enterprises, are explained by the cultural and geographical diversity resulting from the fragmentation and the relatively stable but clientelist institutional arrangements. The evolution of the Colombian family business during the twentieth century presents three phases: building the family business (1900–1940), achieving growth by diversifying (1950–1980), and consolidating growth and retaining control as entrepreneurial families (1990–2022).

Following the economic history periodization, the first phase witnessed the slow configuration of the economy through an export-led growth model during the first globalization (Ocampo 1984; Melo 1987/2007). Then followed the "golden years" (Molina 2000), which saw an initial industrialization based on various light goods (textiles, cement, and manufactured food) (Ospina Vásquez 1955; Brew 2000/1977). The second phase is dominated by the "State-lead Industrialization" policy (Bértola and Ocampo 2013) and the post-war era (1950–1980), which saw the development of strong regional economies with great and rapid urbanization (Safford and Palacios 2002) but inconclusive industrialization (Echavarría and Villamizar 2007). Finally, in the third phase, there was liberalization, privatization, and the second globalization (Ocampo et al. 2007/1987).

Colombia's main economic sectors have been agriculture, mining, and commerce. For most of the twentieth century, the economy depended heavily on the coffee sector, while the manufacturing industry developed under its umbrella and with the trade surplus it generated. Coffee marked the government's role in stabilizing the economy as policymaking depended greatly on the coffee price booms or stagnations, which promoted unusual links between the private sector and policymakers. The State was kept small, and the development policy was accompanied by international missions that shaped the most significant economic adjustments. Moreover, as in other cases presented by Latin American researchers, during the twentieth century, traditional entrepreneurial families diversified extensively between unrelated and their core businesses, expanding their investments across industries – a pattern that persists until today.

Before delving into the characteristics of each phase, it is important to notice two patterns across the three periods: Colombia´s business system remains regionally based and the few immigrants who arrived in the country became important leaders of key industries.

The profound regional diversity significantly shaped the landscape of family businesses, imbuing them with distinct characteristics reflective of their respective regions' unique economic, social, and cultural contexts. This diversity not only influenced the types of businesses that flourished but also affected how they operated, grew, and sustained themselves over generations. For example, family businesses in the Andean region often revolved around agriculture, particularly coffee production, which has been passed down through generations of small and medium-family coffee growers. These businesses engaged in farming and the more complex processes of coffee processing and exportation, capitalizing on the global demand for Colombian coffee during the first three decades of the century. In contrast, family enterprises in coastal regions like Barranquilla and Cartagena focused on trade, utilizing their strategic geographic positions to engage with international trade routes.

The cultural ethos of each region plays a crucial role as well. In Antioquia, the "Paisa" culture, known for its catholic, robust work ethic and entrepreneurial spirit, permeated family businesses, fostering an environment of innovation and risk-taking. This has been evident in the dynamic expansion of family enterprises into sectors such as finance, manufacturing, and technology. Despite the regional roots of these enterprises, some but not many successful family businesses in Colombia expand beyond their initial areas. This expansion was often facilitated by interregional networks that leveraged familial ties and business connections, demonstrating Colombian family businesses' ability to harness local depth and national breadth in their operations. In essence, the regional diversity of Colombia deeply influenced the development, operation, and legacy of family businesses within the country.

Regarding immigrants, the small groups of foreign nationals, mostly from Germany, Syria and Lebanon, have profoundly impacted the Colombian business landscape. They established family businesses in the country's northern, southwest, and central regions that successfully integrated into Colombian culture, becoming deeply rooted through subsequent generations. Today, many multigenerational family businesses were founded by immigrants, such as Grupo Santo Domingo, whose flagship company was founded by Leo Kopp, Grupo Manuelita, founded by Santiago Eder, and Grupo Olimpica by Fuad Char, among others. Their contributions have enriched the Colombian business community's diversity and introduced innovative practices and ideas, demonstrating the significant role of immigrant families in shaping the economic and cultural fabric of the nation.

Phase 1. Configuration of Family Businesses from 1910 to 1940: Building the Legacy and Seeking Longevity through Capital Accumulation and Generational Transition

The initial phase of Colombian family businesses was shaped by the founding family members and the export development model prevalent during this period. This era was characterized by a focus on primary industries such as agriculture, trade, and mining. The businesses were predominantly stand-alone companies, often managed by the founders and their immediate family members, including spouses and siblings. These businesses typically operated within a single city or region and followed a straightforward business strategy focused on a single line of operations.

The diversification strategies employed during this time were primarily aimed at diversifying risk, accumulating wealth, and overcoming the shortage of capital for future investment. The general pattern of diversification was from trade (export of commodities and import of manufactured goods mainly from Europe) to related financial services (commercial banks), shipping and train agencies, and manufacturing industries. Moreover, during this period, the growth of the family business played a significant role, often related to the capacity of their owners to associate. Regional entrepreneurs consolidated larger firms in food production, cement, and insurance through a mechanism defined as creating "firms of firms" (Álvarez 2003), in which small companies was facilitated to create a large, market-dominant company, which later diversified its portfolio. This approach was facilitated through legal forms such as *Sociedades de Comandita Simple* (limited partnership) and *Sociedades Anónimas* (joint-stock companies), which allowed for more formalized business operations yet retained significant family involvement with minimal professionalization. The founders acted more as entrepreneurs than managers, reflecting the hands-on management style that dominated this era.

In terms of performance, while there is a lack of systematic studies and data that distinctly identify family-owned businesses during this period, qualitative indicators suggest these enterprises played a significant role in the economy. According to the Industrial Census 1945, the number of industrial plants founded between 1929 and 1940 was five times the number created between 1921 and 1929 (Censo 1938, 1945; Echavarría and Villamizar 2007). More than 842 industrial establishments employed about 115,000 workers, with food and textiles accounting for nearly half. The first firms were created with domestic capital and produced a range of consumer nondurables such as beer, cigarettes, soap, matches, hats, paper, food, and textiles. A few diversified into producing construction materials and basic chemicals, such as cement. In terms of location, the industry concentrated in and around the four regional capitals, which had 70 percent of the production.

Although the Colombian manufacturing industry still suffered from high costs, limited markets, and a shortage of capital (Ocampo 2007/1987), this period laid the groundwork for the evolution of family businesses in Colombia. Foundational practices influenced subsequent generations and strategic shifts in the family business landscape.

Phase 2. Achieving Growth from 1950 to 1980: Corporate Entrepreneurship as Product and Geographic Diversification Strategies

This phase was marked by the origin of new family businesses, the entry of second and third generations into existing firms, and the consolidation of financial and non-financial family-owned business groups. The shift towards State-led Industrialization promoted high protectionism and incentives to industry, in which family enterprises transitioned to and flourished within sectors like food production, capital goods, banking, construction, urbanization, consumer goods, chemicals, and cement. New family generations encountered challenges such as consolidating modern management structures, adopting Taylorism and incorporating high-scale technologies in unrelated businesses, delegating decision-making by hiring professional managers, entering other regions to reach economies of scale, and expanding to the national market. Regarding networking and collective action, family business elites learned how to address coordination, cooperation, and adaptative problems by creating industry associations and developmental corporations to influence policy-making and infrastructure projects needed to consolidate their business. In doing this, family businesses also had to learn how to partner with regional and central governments, seeking mechanisms to trigger the modernization of Colombia's economic and social landscape.

This process of structural transformation was accompanied by an unprecedentedly large accumulation of private and social capital. The expansion was marked by high private investment, some foreign direct investment, and the diversification of family-owned large firms, leading to a concentration of ownership in different sectors. The entrepreneurial families were instrumental in building large industrial plants and agricultural depots, and their efforts also led to a significant increase in the number of vehicles. The housing and office buildings in the cities grew sharply, and construction expanded rapidly, becoming a key sector of the economy. The number of industrial plants and commercial establishments (BanRep 1930–1982) increased yearly, with an average of 130 plants were founded per year until the liberalization of the economy in 1990. The number of commercial establishments also saw a significant rise, from 973 in 1949 to 1,272 in 1963.

The 1960s became a decade of changes. Industry productivity stagnated, the unemployment rate rose, and social tensions associated with the internal migration process resulted in an increasing demand for state subsidies. Nevertheless, the family firm did not disappear from the picture. As most firms were managed and owned by second—and third-generation generations, family dynamics were central to this investment expansion and industry growth.

Entrepreneurial families began to invest in the financial sector and industries related to the core business, such as sugar in the case of *Organización Ardila Lülle*, oil and derivatives in the case of *Grupo Sanford*, and automotive parts by *Organización Chaid Neme Hermanos*. The strategic focus shifted to national expansion and diversification of product lines and business sectors. Unlike earlier diversification, which was focused on capital accumulation, the strategies of this era were oriented towards the growth and consolidation of the family businesses. This period saw geographical expansion into national markets and other regions, highlighting a significant shift from the previous localized operations.

Close family bonds enable a degree of cooperation and entrusting control over different firms, and the blood kin facilitate the transfer of knowledge, roles, and routines from firm to firm as well as from generation to generation, such as the sugar cane industry dominated by few-interconnected families exemplifies. The effect was the modernization of management and the investment in new technologies, which later allowed them to diversify into other industries. Moreover, as the Colombian market was small, the owners of the family firms realized that expanding their business would be better by acquiring established firms in other regions than creating new ones. In other words, large family business groups may represent effective ways of organizing corporate entrepreneurship initiatives that survive the rigors of economic selection.

Another defining feature of this era was the increasing professionalization and development of corporate governance within these family firms. The introduction of external professional managers alongside family members and the formation of boards of directors, initially comprising only family and internal members, marked a crucial evolution in how these businesses were run. This professionalization was in response to the broader industrial policies and greater state intervention in the economy, requiring a more formalized and strategic approach to business management. This period solidified the role of family businesses in contributing to and shaping Colombia's industrial backbone, setting the stage for further expansion and influence in the global economy. It captures the transformative dynamics of family businesses, emphasizing the transition in leadership and adapting business strategies to align with national industrial policies.

Phase 3. Consolidating Growth and Retaining Control through Multiple Organizational Forms: Foundations, Holdings, and Business Groups Since 1990

During this phase, the evolution of family businesses occurred under neoliberalism and the increase of criminality, witnessing the entry of fourth and fifth generations, the arrival of foreign direct investment as multinationals from neighboring countries, and a growing number of small and medium-sized firms as the government promoted entrepreneurship. After a wave of business mergers and acquisitions, transitions to the fourth and fifth generations of entrepreneurial families allowed the consolidation of the longevity of the largest family-owned firms.

This era marked significant growth in family sizes and the consolidation of family dynasties, exemplified by families like the *Carvajal* (Zuluaga and Delgado 2023), now numbering over 300 members. Family businesses, impressively, expanded into a diverse range of new sectors such as telecommunications, including media outlets, TV channels, and newspapers like El País. They also ventured into services, tourism with travel agencies like *Aviatur*, and hospitality, including restaurant chains and hotels like *Crepes & Waffles*, *Frisby*, and *Hoteles Estelar*. Public services saw entries like *Fanalca* managing waste and mass transit systems, while the health sector saw growth in importing medical equipment and beauty products.

Strategically, diversification was reassessed toward core businesses, such as *MAC* focusing on batteries and *Santo Domingo* in brewing. This period also saw some family businesses being bought by or competing with multinational corporations and family-owned *multilatinas*, alongside increased internationalization. Professionalization and corporate governance evolved significantly, with boards of directors incorporating external members and the creation of holdings. Governance mechanisms were notably restructured, and foreign investor involvement increased, either through complete acquisitions leading to loss of family control or through strategic alliances that included equity participation, as seen with the *Santo Domingo* and *Gilinski* families.

However, family businesses also faced unique challenges, particularly during succession phases. Conflicts have arisen between successors, as in the case of *Textiles La Garantia (1915–1984)* and *La 14 (1964–2021)*, threatening business continuity and stability. Despite these challenges, dozens of family businesses have shown remarkable resilience, adapting to new market conditions brought by changes in Colombian institutional settings and evolving while maintaining their core familial attributes.

Towards a Synthesis of the Strategic Behavior, Governance, and Performance of Colombian Family Business as a Reaction to a Turbulent Context

Colombia exhibits distinctive characteristics compared to other Latin American nations. The country diverges from typical Latin American patterns through its economic and political stability, particularly noted for its macroeconomic prudence. This includes the absence of hyperinflation and an extremely cautious fiscal policy, which contrasts with the region's tendencies towards economic instability and political upheaval in the form of dictatorships. Colombia's resilience to external debt crises and its consistent but low economic growth are unlike the economic turmoil often experienced elsewhere in Latin America.

However, violence, criminality, and illegality mixed with high inequality, permeated the second half of the twentieth century. These features can be attributed to Colombia's unique historical and institutional pathways, emphasizing that these differences allow Colombia to maintain economic stability in a volatile region. In the case of family businesses, entrepreneurial families' reaction to a turbulent context has created specific features that shape their relationship with politics and the state, creating variations of their linkages with society.

Relationship with Politics and the State

One of the main characteristics of Colombian business development is the close relationship of entrepreneurs with politics and the State (Rettberg 2002, 2003; Dávila 2013). Across the three phases, large and medium-sized family firms have been active in a diverse range of core sectors of the economy. These include agroindustry (coffee and sugar), editorial, transport, construction, food and beverages, and finance. Their versatility and adaptability are evident in their ability to achieve both regional and national political and economic power via a vast regionally distinctive network of finance, resources, and contacts.

Entrepreneurial families have become the economic elites in their regions and often participate in politics in various ways, such as elected civil servants, financing campaigns, investing in infrastructure, participating in the board of directories of state banks, or accepting roles as ministers or government control agencies. Within the political constraints of each phase, family members, often prominent with access to education and social capital, developed ways to intervene in politics, enabling significant reforms and projects that helped build the State and benefitted their industries. Moreover, as families were close to the banking sector, there was no profound differentiation between the manufacturing and the banking elites for most of the twentieth century.

During the first phase, most of the founders of the family firms participated directly in the political decisions as elected presidents or mayors of the largest industrial cities. It was common for a family member to participate actively in political life. The cases of the *Samper*, *Restrepo*, and *Santos* families represent this. These families that started their business during the first phase of industrialization had one member becoming president. In contrast, the family firm continued diversifying and growing until becoming a large business group in the next two phases. Other family firms use part of their capital to diversify into development-related industries such as transport, for example, *Adolfo Held* in navigation and the *Del Castillo* family in the *Canal del Dique*, or the nascent oil industry that started with an initial investment of a group or regional families in the north of the country.

The change to State-led industrialization transformed the relationship with politics through an increase in the number of business associations (so-called gremios). There was often a clear specialization within the family: some members focused on managing the family business, while others pursued political careers. The most distinguished transitioned between the private sector and public service, holding regional and central government executive positions. The second phase, therefore, witnessed an increase in the number of family members representing industries as leaders of the business associations, for example, *Jorge Cárdenas* in the *Federación Nacional de Cafeteros* or *Fabio Echeverri* in *Asociación Nacional de Industriales*. Most of the regional families participated as members of the board of directors of the local development banks *(Corporaciones Financieras)* or the local development agencies. As a result, the families had a visible interaction with decisions on regional development.

The relationship between entrepreneurial families, politics, and the State transformed again after the liberalization of the 1990s. Business associations started losing political power, and family members reduced participation as candidates. However, new family groups appeared, combining a great figure in politics with growing businesses, such as *Fuad Char*, a politician owner of supermarkets, whose descendants now own multiple businesses and still have political power as elected officials. Also, there has been an increase in the number of families creating political parties as a "family business"; for example, the Christian political party MIRA was created and managed by members of the same family. Although recently, family members from the oldest families have made a comeback to politics as candidates in elected positions, in the last three decades, families have maintained their participation in politics by participating in peace negotiations, as members of boards of directors and civic organizations, as civil servants, or financing campaigns.

Doing and Organizing a Family Business in a Violent Country

One of the most striking features of the Colombian business environment has been the high levels and various types of violence that developed throughout the twentieth century. This violence ranged from political violence during 1950–1980 in rural areas impacting agricultural investments to the drug trafficking violence that plagued major cities in the 1980s and 1990s to urban violence linked to organized crime, such as extortion and kidnapping of family members and their businesses.

Family businesses have been affected in multiple ways by these outbreaks of violence. Negatively, it has caused greater uncertainty and reduced investment in affected areas. The persistent conflict, criminal activity, and violence have necessitated heightened security measures for these enterprises, often leading to significant investments in private security and enhanced protective measures for personnel and operations. Kidnappings and murders, along with the departure of second and third generations, have impacted the identity, sense of belonging, and commitment to the family business, especially during the peak kidnapping phases in the 1990s and 2000s. This heightened security environment has affected every aspect of business management, from daily operations to long-term strategic planning.

The constant threat of violence has made family businesses exceedingly cautious, influencing their decisions on investment, expansion, and innovation, particularly in regions most affected by violence, such as the southwest and the northern part of the country. This cautious approach often resulted in delayed or reduced investment, as the risks associated with violent disruptions become a central consideration in business planning (Rettberg and Ley 2021). Despite these challenges, many family businesses in Colombia have shown remarkable resilience, adapting their business models to withstand the uncertainties and risks posed by the violent environment. These adaptations, which have been crucial not only for survival but also for potential growth under challenging conditions, are truly impressive in the face of such adversity.

Interestingly, family businesses have not remained passive in the face of these challenges. Many have taken active roles in broader societal efforts to address the impacts of violence, including participating in peace negotiations and supporting initiatives aimed at conflict resolution and community building. This involvement highlights the commitment of family businesses to their own continuity and the broader societal good.

In a more negative aspect, some family businesses, such as the drug cartels from Cali and Medellin (i.e., the *Rodríguez Orejuela* and *Gacha* brothers), have used violence as a strategy for eliminating competition, appropriating resources and controlling value chains in illegal sectors like emerald mining and drug trafficking. In a few notorious cases, members of business families and their companies have been involved in scandals related to the financing of paramilitary groups and the appropriation of land released into the market as a result of expropriation and displacement of peasants.

The direct and indirect benefits derived from the use and presence of violence by large family businesses have been significant and difficult to estimate. The long-term economic cost and social effects of such pervasive violence are profound, affecting immediate business operations and broader economic development and investor confidence in the region. However, how family businesses have strategically responded to, been related to, and been affected by the violence remains an area yet to be fully explored.

Cartels, Cronyism and Capture of the State through Involvement in Politics: Clientelism

In Colombia, the integration of clientelism into the fabric of family businesses has significantly shaped their operational and strategic landscape. Clientelism involves the exchange of goods and services for political loyalty and is deeply entrenched within the Colombian cultural and political milieu. This system has affected family businesses by determining their access to essential resources such as licenses, contracts, and even legal protections, depending on their relationships and engagements with political figures.

Family businesses that successfully navigate clientelistic networks have gained preferential access to lucrative government contracts (i.e., *Char* family) or favorable regulatory treatments (i.e., *Grupo Aval*), which provided a competitive edge and enabled rapid business expansion. However, this reliance on political patronage also posed risks, as the latest election of the leftist president Gustavo Petro is creating some family businesses that traditionally controlled public procurement contracts. Clientelism is a real threat to family business continuity, as political shifts can lead to sudden and adverse changes in the business environment. Agreements and contracts secured under one administration may be revoked or altered with the arrival of new political leaders, injecting a level of volatility and uncertainty into the family business's long-term orientation.

Moreover, the reliance on clientelism has hindered the professionalization of family businesses, as success has been more contingent upon political connections than on market dynamics or business acumen. This situation created little incentive to adopt best practices in corporate governance or pursue innovation strategies. Instead, this situation perpetuated traditional business practices that may not align with developed countries' modern, transparent, and efficient business management principles.

Internationally, the reputation of family businesses has suffered as they are perceived as deeply embedded in clientelist networks. Probably, that's one of the reasons why potential global partners and investors, particularly those from regions with stringent anti-corruption regulations, have little presence in Colombia. They may perceive such businesses with suspicion and be hesitant to forge partnerships, affecting the businesses' ability to expand beyond Colombian borders.

Thus, while clientelism has facilitated certain short-term advantages for family businesses in Colombia, it also embedded a level of uncertainty and potential instability that hindered long-term strategic planning and development. This intricate relationship between family businesses and clientelism underscores Colombia's complex interplay of economic practices and political dynamics, presenting opportunities and challenges that are pivotal to understanding and engaging with the country's economic landscape.

Social Responsibility

A notable feature of family businesses in Colombia is their early incorporation of social responsibility strategies and their contributions to the provision of public goods. These initiatives often stem from Christian values that shape the identity of many of these families, alongside strategic considerations to improve the environments where their businesses operate: the shared principle "a company cannot thrive indefinitely in a sick social environment; sooner or later, the ailments of the environment will affect its performance." permeated much of the non-market strategies deployed by families inside and outside their companies. Family business elites have also actively participated in creating educational institutions like ICESI and EAFIT to ensure a supply of skilled labor and functional knowledge for their enterprises. Moreover, many have established foundations (e.g., *Carvajal, Manuelita, Caicedo, Mario Santo Domingo, Fundación Corona*), allowing some to control their firms without holding all the equity shares. These actions highlight a deep commitment to fostering community development and enhancing their business ecosystem sustainably.

The Colombian Way to Family Business: Setting up a Research Agenda

Family businesses challenge business historians because they unite two of society's most complex and fundamental institutions: the family and the organization. Modernity and industrialization transformed family and work organization by separating work and family structures. As a result, production and reproduction occur in different domains in modern society and are often perceived as separate arenas of social life. However, these two spheres intersect at many levels in the family business institution, creating tensions and synergies between the cultural requirements of rationality in organizations and the relationships and emotions in the family. Understanding the historical evolution and geographical varieties of forms families are in business and firms are organized under the logic of the family institution constitutes an exciting area of research.

As presented in the previous sections, the family remains a cornerstone in the structure and operation of businesses in Colombia, underscoring its enduring significance in the national economy. This foundational role has persisted over the last century, adapting to changing family structures and social norms yet maintaining its central influence in entrepreneurial activities across various sectors.

Family businesses in Colombia are not just prevalent; they are influential, shaping the dynamics of business operations and economic and social development. These enterprises often start as family-oriented ventures where capital, ownership, and managerial roles are passed down through generations. This continuity ensures the preservation of accumulated wealth and expertise and the maintenance of established corporate cultures that emphasize trust, loyalty, and long-term vision—values deeply embedded in Colombian family business practices.

The familial form of organization has provided significant advantages, such as reduced transaction costs and lower risks in business operations, due to the inherent trust and understanding among family members. Moreover, the socialization of younger family members into the business from an early age fosters a seamless transition of tacit knowledge and skills, which is crucial for sustaining business operations across generations in the complex and uncertain Colombian context.

Therefore, in this section, we set up three analytical issues to understand the nuances of the family business institution in Colombia. As it is proposed in the following paragraphs, it is key to include some considerations in the future research agenda to build up a model that clearly finds the linkages between the family, the environment, and the strategic behavior of the firm in countries where economic, political, and social instability is common across historical periods.

Family Business Uniqueness and Heterogeneity

The first relates to family businesses' distinctive features and high diversity. As historical and cross-section evidence shows, some family businesses are totally or partially owned and controlled by one or several families or by a combination of family owners and external investors. They might exhibit high and low levels of diversification, a short or long-term orientation, and can be organized through business groups or stand-alone firms. As heterogeneity among family businesses around the world is vast (Memili and Dibrell 2018), the literature has developed typologies and concepts such as "familieness" to determine their uniqueness -compared to nonfamily firms- and variations -among family firms- (Chrisman, Chua and Steier 2005; Neubaum, Kammerlander and Brigham 2019). Frameworks such as the three-circle (Gersick et al. 1997) and cluster (Michael-Tsabari, Labaki and Zachary 2014) model have also been proposed to explain how several family and business system characteristics drive this heterogeneity, the participation of external investors (ownership), and the institutional context in which family businesses operates. The mix of these dimensions and contextual factors configures the richness of family business features worldwide and could help to explain their long-term survival (Calabrò et al. 2022). Accordingly, any attempt to comprehensively account for this distinctiveness must start with determining the salient features of family businesses in Colombia compared to family businesses from Latin America and other parts of the world.

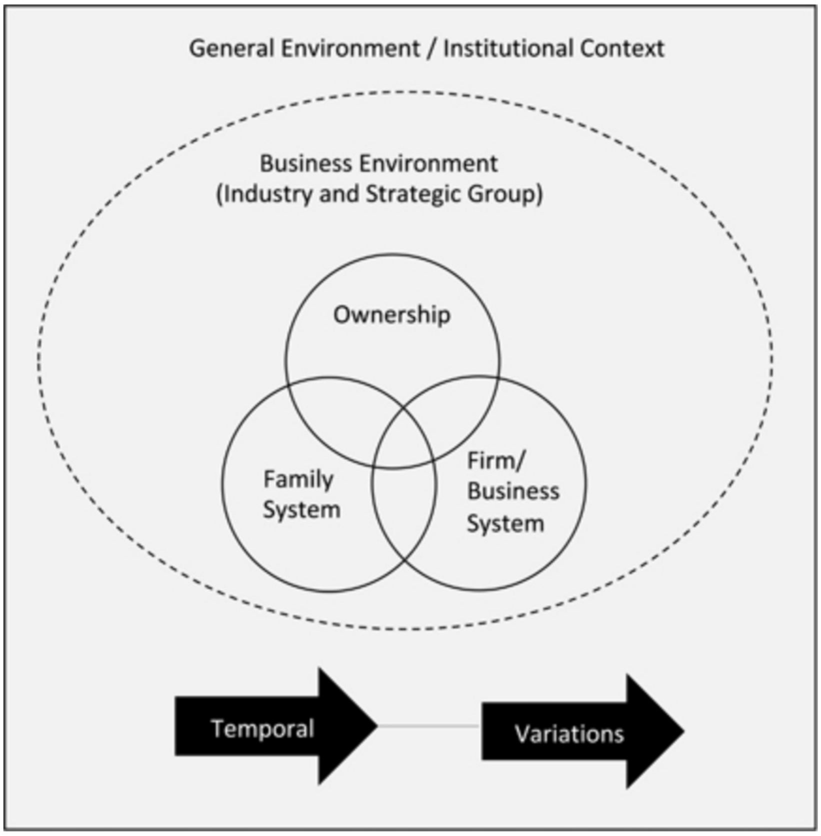

Figure 16.1 Family business and environment

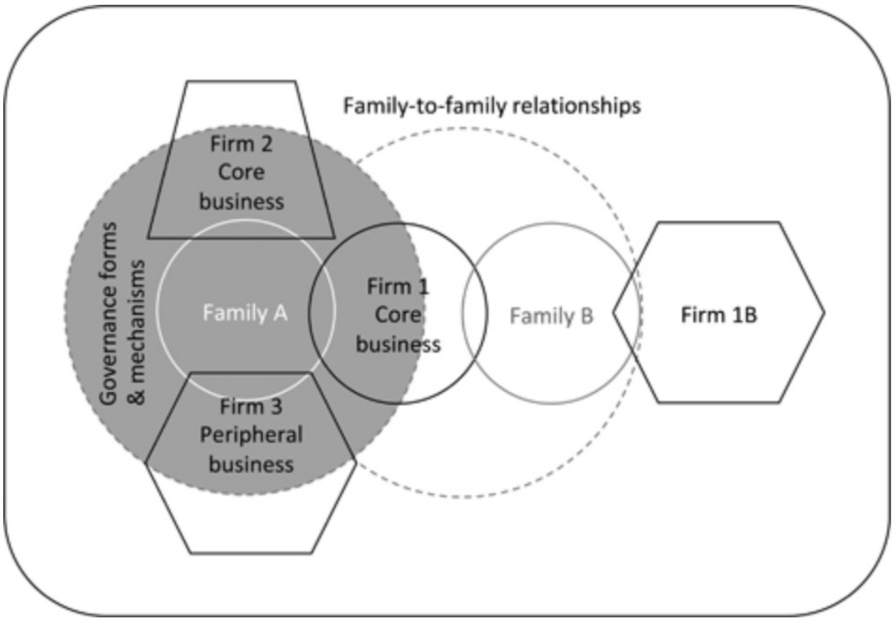

Figure 16.2 Family business configurations and heterogeneity

Drivers of Strategic Behavior and Change

A second topic is whether family businesses pursue strategic initiatives such as corporate entrepreneurship, innovation, diversification, and internationalization and how family business characteristics influence them. Past research has focused on analyzing the strategic behavior of family businesses and what drives it (Kreiser et al. 2006; Chrisman, Steier and Chua 2008). For example, previous studies in developed economies show that family businesses are more persistent in their strategy -strategies will change less frequently in family firms than in nonfamily firms- (Kreiser et al. 2006; Fang, Chrisman and Holt 2021; de Groote and Kammerlander 2022), and avoid risk-taking strategies such as innovation and diversification (Hafner and Pidun 2022). Does family business in developing countries such as Colombia follow this pattern of behavior? If not, why? Consequently, for our endeavor, it is fundamental to typify the strategic behavior of Colombian family-owned businesses and explain its drivers. Specifically, it will examine how family characteristics, family and business-related events, and the country-specific context have shaped strategic decisions and strategic changes in Colombian family businesses.

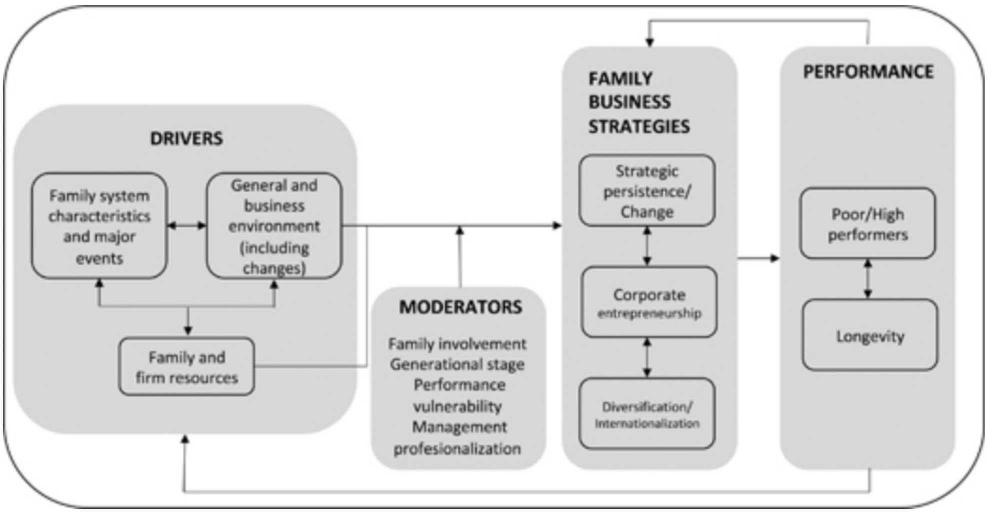

*Figure 16.3*Family business drivers and outcomes

Strategic Outcomes and Performance

A final inquiry relates to the long-term evolution and performance of family businesses. Along their life cycle, most family businesses remain small and established as "marginal businesses" that never get to experience growth. In contrast, others diversify and pursue corporate entrepreneurship and innovation strategies in the hands of multiple family generations over centuries (Aldrich and Cliff 2003; Calabrò et al. 2022). As Miller and Le Breton-Miller (2020) have argued, family firms constitute a "breed of extremes" as they tend to gravitate toward unusual and opposite extremes in their behavior toward stakeholders and their strategic initiatives and outcomes. It is well acknowledged that family firms are "overrepresented among the most and least socially responsible companies, among the most and least innovative, and among the best and worst places to work, and, as a result, among the best and worst performers" (Miller and Le Breton-Miller 2020, 664). Indeed, family businesses "are not merely heterogeneous as a group relative to nonfamily firms, but in comparing samples of family firms to samples of nonfamily firms, in the former, both the positive and negative tails of the distributions of outcomes will be "fatter," that is, more populated." This complex attribute raises the question of why some family businesses overperformed and others underperformed and disappeared. Therefore, we inquire how business strategies and structures have evolved and impacted family business performance in Colombia.

Conclusions

This chapter reconstructed the evolution and the most salient features of family capitalism in Colombia between 1900 and 2022, an atypical country in Latin America. The family structure served as a central mechanism in the creation, reproduction, ownership, power, and control of Colombia's value and wealth accumulation. It has been a fundamental institution that offers values, long-term orientation, business socialization, and trust, which are crucial for business continuity and success in highly complex and uncertain environments such as Latin America. We highlighted that family businesses have not been limited to small or medium-sized enterprises but are prevalent among the largest diversified business groups in the country. This reflects the deep integration of family values and modern business strategies, placing Colombia within the family modern capitalism stage. The legacy of family businesses included both positive and negative elements that provide rich material for critical analysis through business history research, grounded in theoretical advances from various disciplines.

Further research might characterize Colombian family capitalism and explain why some family businesses have been more successful than others by applying different approaches and perspectives from the family business and Colombian business literature. In particular, we analyzed the strategies and organizational forms that business families have developed to grow, survive, and adapt to changes in the country and family context. We argued that the mechanisms of family involvement (ownership and control), the management capabilities of the family generational succession, the early implementation of diversification strategies (product and market) and social responsibility, and the forms of family business organization (large family business, family-non-family business group) have allowed family business to growth and prosper.

At the same time, the review of the Colombian case under the particular lens of the relationship of the family businesses with the turbulent context enables us to propose an analytical framework that explains how the characteristics and changes in the context and events related to the family environment determine strategic and organizational changes that contrast with those of other countries in Latin America and the Anglo-Saxon world. In doing so, we aim to contribute to writing an alternative framework to analyze the evolution of the entrepreneurial families and their ownership networks in emerging economies.

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