The creation and transfer of entrepreneurship in emerging economies of the world. An approach through large family-owned corporations of China, Mexico and Brazil

Abstract
This article analyses the process of creation and transfer of entrepreneurial competitive advantages in large family firms of three dynamic emerging economies of the 21st century: Brazil, Mexico and China. It does so by studying path dependencies and the creation of dynamic capabilities in three case studies: Pao de Açúcar (Brazil), Grupo Carso (Mexico) and Hutchison Whampoa (China). The interdisciplinary perspective of the article enables a long-term analysis of entrepreneurship, and facilitates the study of one important topic of debate in family business studies: the generational transfer of the so-called entrepreneurial spirit. The results of the article show on the one hand that existing historically determined institutions ruling local and global markets, and also inherited practices and values, have highly conditioned the strategies used to create and transfer entrepreneurship between generations in some of the largest family firms in Brazil, China and Mexico.

Keywords: Entrepreneurship; Business History; Family Business

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Received 12 March 2018 - Accepted 22 January 2019

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Introduction

Entrepreneurship has been in many ways determined by prevailing institutions, but at the same time it is also true that entrepreneurs have often been attracted by the opportunity to modify existing rules of the game and institutions that determine the compensation for their activities (Baumol 2010, 172). The management literature about entrepreneurship in developing economies reveals this close ambivalent relationship between entrepreneurs and the institutions in which they operate (Morck, Strangeland, and Yeung 2000; Casanova 2009; Landes, Mokyr, and Baumol 2010). Unfortunately, there are not many analyses that take into account path dependence in the study of firms in emerging economies, with significant exceptions (Jones and Wadwani 2006, 2007a, 2007b). This is, however, particularly important in understanding the historical roots of global giants from developing economies that are today successfully competing in global markets with multinationals from the developed world. Many external and endogenous factors behind the creation of big global giants are not entirely new, as the conditions favouring their growth are in some cases similar to the factors that favoured the growth of the big MNEs born a century ago in the U.S., Germany, or Japan, or almost two centuries ago in Imperial Britain (Jones and Khanna 2006). Studies on the competitive advantage of MNEs from emerging economies point out, for instance, that they are competitive today because they are experts in: working around institutional voids; raising capital and talent by trading on their reputation; reducing the costs of training their managers by hiring graduates from local business schools which have programs imitating those from top U.S. and European programs; exploiting the understanding of local product and factor markets; and demonstrating an excellent experience in execution (Khanna and Palepu 2006; Guillén and García Canal 2010). These are not new phenomena in the business landscape, as they are in many ways the
same factors that have been behind the historical process of modernization and growth of global MNEs in many countries which are today developed nations, like Spain (Fernández and Puig 2007; Puig and Fernández 2009).

The study of historical and institutional factors in the development of entrepreneurship is, thus, extremely important in achieving a correct understanding of the deep and diverse evolutionary forces behind the creation and growth of firms in the world. In the case of family businesses, an evolutionary approach allows in the analysis a consideration of the influence of time and the institutional framework, both necessary in understanding the diversity of structures and strategies of every stage in the generational control of a family business. In our article we combine this long-term institutional perspective with a sensibility towards managerial models that analyze the creation of internal dynamic capabilities that provide the competitive advantage of firms (Teece, Pisano, and Shuen 1997). The dynamic capabilities framework analyzes factors of wealth creation in private firms operating in contexts of rapid technological change, and focuses on organizational capabilities, intangible assets and adopted or inherited evolution paths of firms. As these three elements are usually considered very important in understanding the transference of wealth and values in family firms from generation to generation, and in family controlled MNEs of emerging markets (Guillén and García Canal 2010; Casanova 2009), this model combines well with a business history perspective more specialized in environmental factors that surround family businesses.

Therefore, and because these two perspectives are useful for studying the endurance and transfer of entrepreneurship in family businesses, this study takes into account path dependencies and the creation of dynamic capabilities in analyzing what is the central topic of this article: the process of creation and transfer of entrepreneurial competitive advantages in
large family firms of three dynamic emerging economies of the 21st century: Brazil, Mexico and China. The interdisciplinary perspective of the article enables a long-term analysis of entrepreneurship, and facilitates the study of one important topic of debate in family business studies: the generational transfer of the so-called entrepreneurial spirit. The comparison of significant case studies of family-controlled corporations from large and dynamic emerging economies of the world is a relatively scarce field of research (Casillas, Acedo, and Moreno 2007; Casanova 2009; Gupta et al. 2008), to which our article adds new evidence and a long-term approach with a comparison of the strategies for the intergenerational transfer of entrepreneurship in three big corporations: Carso in Mexico, Hutchison Whampoa in China, and Companhia Brasileira de Distribuição (CBD) or Pao de Açúcar in Brazil.

Can the entrepreneurial spirit of the founder of a successful and large family business be transmitted? And how? Do we find different models of transmission of entrepreneurship among generations for every country or culture, or is the global scope of a large family business a homogenising factor in itself that makes it possible to present a common standard model of endurance of the entrepreneurial spirit across borders, and ages? To answer these questions, we conducted an inductive case study approach (Eisenhardt 1989). Following established literature on qualitative case study research (Yin 1984, Eisenhardt 1989, 2007) we have identified important family business players and reconstruct their stories through an extensive analysis of primary sources, such as Orbis database, companies’ reports, and government reports. We have triangulated the information obtained with secondary sources (press and interviews), and previous academic literature on the field.

The results of the article show on the one hand that existing historically determined institutions ruling local and global markets, and also inherited practices and values, have highly conditioned
the strategies used to create and transfer entrepreneurship between generations in some of the largest family firms in Brazil, China and Mexico. On the other hand, they also show that there are no magic tools or formulas to transmit the entrepreneurial spirit, but that there are some common practices that enable the creation of a “positive environment” for the successful transfer of entrepreneurship from one generation to another in large family-controlled businesses. Among these potential best practices we can highlight: promoting the in-depth knowledge of the company and the sector, facilitating the creation and use of social networks, encouraging the university training and education in management of family members, hiring outside consultants (as much for family matters as for strategic management of the business sphere) Despite the similarities, the particular way these best practices are designed and put into practice vary significantly in each case and country, according to: a) the strong influence of path dependence and the dominant local institutional rules of the game; and b) the singular needs and origins of each family group.

The text is organised as follows: the first section of the article presents the theoretical framework of the research. The following sections compare evidence from the three case studies of the large family-controlled business groups in question: Pao de Açúcar (Brazil), Grupo Carso (Mexico) and Hutchison Whampoa (China). The three groups own and control firms that are among the largest firms of their countries and among the top ten largest family-controlled groups of Latin America and Asia. A study of how these companies have created and transferred entrepreneurship is, therefore, of great significance for understanding the creation and transfer of wealth and employment that affect entire sectors and regions in several countries. The last section offers the main conclusions of the article.
Entrepreneurship and Family Business. A theoretical approach to some recent debates

Following the classic work of Schumpeter (1942), the interest in entrepreneurship has emerged in the last decades, when scholars from different disciplines have enriched the debate by responding and generating new research approaches (Acs and Audretsch 2003). The present article does not attempt to offer a complete overview of the topic. Rather, it will highlight some theoretical points that have helped shape the framework of our empirical research related to family businesses in emerging economies of the world.

The present article is heavily influenced by debates on entrepreneurship developed in Business History. In this social science a group of historians and historical sociologists began to study the mentality and agency of entrepreneurs in the process of economic change in the early 20th century. During the central decades of the 20th century, business historians contributed to the body of knowledge on entrepreneurship by analysing the role of important entrepreneurs in the Industrial Revolution (Jones and Wadhwani 2006). After World War II, Arthur Cole led the creation of the Center for Research on Entrepreneurial History, based at Harvard University. The centre included economists, historians and sociologists, who developed a corpus of research marked by its eclecticism: from socio-cultural studies of entrepreneurial origins, to works on the evolution of industries and organizations. Over and beyond this eclectic approach to “entrepreneurial history”, the Center made an extraordinary effort to conceptualise and synthesise the different points of view, and to use empirical research to construct theories of entrepreneurship (Jones and Wadhwani 2006). In spite of these earlier and relevant contributions, during the following decades the analysis on entrepreneurship was not a central stream of research for business historians. Moreover, the influential studies of Alfred Chandler and the New Economic History quantitative approach almost monopolised business historians’
works. In recent decades, business historians have renewed their interest in entrepreneurship with the study of smaller firms, family businesses, networks and diasporas (Jones and Wadhwani 2007a), but their contribution still has room to grow, as they can add theoretical perspectives and solid empirical case studies to different disciplines (especially management) that lack a long-term historical perspectives. The long-term perspective and the analysis of historical and real contexts (core issues of the business history discipline) enable a close examination of how the economic or social context and institutions might influence entrepreneurs and their activities. In fact, the main contribution of business historians in our day is going in this direction.

The role of institutions in entrepreneurship has been largely recognized by business history scholars (Baumol 2010; Jones and Wadhwani 2007a). Baumol concludes that institutions create incentives that allocate entrepreneurship between productive activities such as innovation, and unproductive activities such as rent seeking or organized crime. This allocation is highly influenced by the relative pay-offs society offers to such activities (Baumol 1990, 2010; Jones and Wadhwani 2007a). In this light, politics “can influence the allocation of entrepreneurship more effectively than it can influence this supply” (Baumol 1990, 893; Baumol 2010).

The importance of social networks in entrepreneurship behaviour is also recognized by business scholars in several works. The existing literature on diasporas has strongly contributed to the better understanding of this topic. Different studies have explained how diasporas networks have been determinants in the configuration of international entrepreneurial opportunities, especially in terms of enhancing trust levels, vehicles of information flows and providing financial sources (McCabe et al. 2005).
Within social networks, family businesses have, in the last three decades, been a particularly productive field of research on entrepreneurship. In fact, family firms have usually been seen as a versatile entrepreneurial response to market failures in the early stages of industrialization (Colli, Fernández, and Rose 2003; Colli and Rose 2008). Using case studies, or the analysis of a particular sector, district, region or country, many economic or business history analyses have been demonstrating the historical flexibility of family firms to adapt to changes and to innovate, not only in technology but also in terms of management and organization, and in their active insertion in a diversity of social networks (Colli, Fernández, and Rose 2003; Fernández and Puig 2007; Puig and Fernández 2009; Colli 2003; Colli and Rose 2008; Fernández and Rose 2010). For instance, business historians working on family businesses have made in-depth investigations into the rules and contextual conditions that marked the preparation for intergenerational succession (Colli, Fernández, and Rose 2003), pointing out the influence of the situation of community-based technical and business education (Colli, Fernández, and Rose 2003; Fernández and Puig 2004), the influence of religion and community (Colli, Fernández, and Rose 2003), the impact of legislation or legal framework (Fernández and Hernández 2010) and the professionalization in modern family firms (Puig and Fernández 2008).

Several business historians have recently encouraged researchers to broaden the theoretical implications of their empirical evidence (Cassis and Minoglou 2005; Jones and Wadhwani 2006). Family business research is one of the most interesting fields of research in which the relationship with other disciplines has been more fruitful in the last decades, as family firms are a common topic of study of many disciplines (Anthropology, Psychology, Law, Sociology, Business History, Management, in particular). The influence of family dynamics in entrepreneurial processes in family firms is a relatively emerging topic in the study of family
business, based on the idea that the distinctive characteristics of family firms may influence the strategic management process and determine decisions (Sharma et al. 1997; Chrisman et al. 2005; Aldrich and Cliff 2003; Short et al. 2009). Risk taking is probably the most studied dimension of entrepreneurship in family business literature (i.e. Zhara 2005; Naldi et al. 2007), although some scholars have dealt with the differences in innovation between family and nonfamily firms (Mork et al. 2000), the performance implication of entrepreneurial behaviour in family firms (Kellermanns et al. 2008), and the linkages between organizational culture and the entrepreneurial process (Hall et al. 2001). Succession is a major issue for family businesses (Handler 1994; Sharma 2004), and for this reason the problems in the transfer of entrepreneurship between generations have been a central topic in family business studies. Successful initiatives have been developed in the field of management to study entrepreneurship and family business. One of the best known is the STEP Project, founded by Dr. Timothy Habbershon in 2005, a globally applied research initiative that explores the entrepreneurial process within business families and generates solutions that have immediate application for family leaders.

Focusing on the specific topic of this article - the intergenerational transfer of entrepreneurship in family businesses - previous literature from Babson College highlighted the importance of the dynamic capabilities perspective in explaining the family-specific enablers and drivers for intergenerational entrepreneurial behaviour (Salvato and Melin 2006); as well as the importance of sharing new ideas to avoid lock-in and inertia and the risk of the “lengthening shadow” of the founder that could condition a lack of entrepreneurial orientation in new generations and an inward-looking culture (Fernández and Rose 2010). These ideas are critical for this article. We understand dynamic capabilities as defined by Teece et al. (1997, 516): “the ability to integrate,
build and reconfigure international and external competencies to address rapidly-changing environments”. The dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by private enterprise firms operating in environments of rapid technological change (Teece et al. 1997).

Especially significant for a study on the transfer of entrepreneurship in family businesses is also the economic and business history literature about how institutions and networks can influence entrepreneurial behaviour, and how entrepreneurs can at the same time influence the institutions that set the rules of the game for businesses at each particular moment in history (Baumol 2010; Fernández and Rose 2010). The importance of networks is a central hypothesis of this research, mainly to determine its possible influence during the transference of entrepreneurial push and innovativeness from the founder to next generations. Following these ideas, a central assumption of this article is that firms are embedded in social networks of relationships (Granovetter and Swedberg 1992), which in turn influence their entrepreneurial process. We consider entrepreneurial networks in a broad sense (or as a working definition) as “a complex mixture of multiplex social and professional ties, all of which tend to contain both affective and instrumental elements, bonded by trust” (Anderson et al. 2005, 139). Following Granovetter, ties can be strong or weak. In this line, Hwang and Powell (2005) have proposed an interesting line of research in entrepreneurship by looking at the influence of institutions in these processes. These authors assume a broad definition of entrepreneurship that involves not only the creation of new business organizations but also the generation of new organizational models and policies that change organizational activity. Many scholars have highlighted the importance of capabilities and institutions to recognise new opportunities, while Hwang and Powell’s focal point is the wider environment that defines and creates these opportunities, a concept very close
to what Baumol has often said (Baumol 2010), and also close to what economists specialized in developing economies indicate (Estrin and Mickiewicz 2010).

**Three case studies of generational transfer of entrepreneurship in large family-controlled corporations of emerging economies**

Case studies allow a qualitative approach to important aspects of the generational transfer of entrepreneurship in family-controlled corporations, which are impossible to obtain from a quantitative study using comparable homogeneous sources. In this article we use evidence from Hutchison Whampoa in China, Grupo Carso in Mexico and Pão de Açúcar in Brazil. First, we analyze each case individually. Suggestions derived from a comparison of the three cases are presented in the final section with the conclusions of the article. Most of the information of the case studies was obtained in 2009.

*Hutchison Whampoa*

Hutchison Whampoa (H.W.) is a multinational company based in Hong Kong, with operations in 54 countries, and approximately 220,000 employees worldwide. The company has a very diversified core business, from ports and related services to telecommunications. The company was officially founded in 1977, and it has been listed on the Hong Kong Stock Exchange since January 3, 1978. However, H.W. dates back to the mid-19th century. Before the merger (in 1977) H.W. was twice rescued from financial disaster by the Hong Kong and Shanghai Banking Corporation: once in the last century and again in August 1975. Despite financial problems, the company had achieved an important growth, which made it an interesting investment for what the Financial Times called “predatory entrepreneurs”: from only HK$13m in 1964 the company’s issued capital expanded to almost HK$250m by the end of 1974; and net profits rose from HK$10.8m in 1965-66 to $136 in 1973-74. The purchasing of assets was particularly
heavy during the period of the Cultural Revolution in China. In 1977, just before the Li family era, Hutchison was one of Hong Kong’s major trading houses, and in that year merged with Hong Kong and Whampoa Dock to consolidate its size.

The Li family has controlled Hutchison Whampoa since 1979, after acquisition through Cheung Kong Holdings, the master company of the Hong Kong based Chinese entrepreneur Li Ka-shing. Li Ka-shing was born in 1928 in Chaozhou in the Guangdong province (China), and according to the Li Ka Shing Foundation website, his father Li Yunjing was a primary school teacher, and when schools were suspended due to the Japanese invasion of the village in 1939 the family left the country and went in the winter of 1940 to Hong Kong (which fell under Japanese control that year). His mother returned to Chaozhou in 1942 with his younger son and daughter, while Li Ka-shing stayed in Hong Kong with his father, in the house of a wealthy uncle. While living in Hong Kong, and still a teenager, his father died of tuberculosis and he had to leave school before the age of 15, to work as an apprentice in a plastic watch strap company on Ko Shing Street. He worked 16 hours a day, and bought second hand books to study and learn by himself. By 1947 he was promoted to manager. His marriage to his cousin Chong Yuet-Ming (daughter of his wealthy uncle) and the creation of a new family was the final motivation to become an entrepreneur. By 1950, aged 22, with money from friends, relatives, and contacts from his trading activities he founded Cheung Kong Plastics Co., his own company, manufacturing high quality plastic products (toys, daily household products, and above all flowers) and selling them in Asia with success in the 1950s. Political instability and riots in Hong Kong in the 1960s, and the birth of his sons Victor in 1964 and Richard in 1966, contributed to making him see opportunity and incentive in a chaotic situation, as he invested right then his savings and loans from relatives and friends into something new with great
potential profits: real estate in Hong Kong. He foresaw the opportunity of the falling prices of real estate in the city due to riots and problems after 1967, and he believed prices would go up as soon as the economy recovered, as indeed they did. To organize this new business, he founded Cheung Kong Industries in 1971, a firm that soon became a leading real estate investment company in Hong Kong, listed on the Hong Kong Stock Exchange since 1972 with great success (the initial public offering was oversubscribed 65.4 times). In the 1970s investments in real estate surpassed those in the plastics business, following incentives (the Ten Year Housing Plan of 1972 projected building quality housing for almost 2 million people in 10 years). The city extraordinarily transformed its infrastructure and finances and optimist perspectives led to further changes. In 1979 Li acquired an important stake of the firm Hutchison Whampoa (from HSBC), a British company in Hong Kong created in 1866 and specialized in handling containers in ports all over the world. Li became the first Chinese owner of a British style trading company.

The arrival of Li Ka-Shing as the chairman of the company drastically changed the style of management and the priorities of the company, and caused a reshuffling of the board. In 1979 the company was a diversified transport, industrial and property group. During the first years of the 1980s, the growth strategy of the company was clear and it had three main aspects. Firstly, Li restructured some lines of business, buying out a number of minority interests within the group. Secondly, he improved the transport-container division (the project of Hong Kong International terminals, the group’s container terminal, and a joint shipping company with a Glaswegian firm based in Hong Kong and Bermuda, and with offices in London). Thirdly, he developed important construction projects. The ambitious scale of the growth strategy was easily financed out of internally generated funds: in 1979 recurrent earnings were 74 cents
against 49 cents in 1978. That year (1979), the dividend of the company rose by 7%. In 1980, the company increased its profit after taxes by 23.8%. Final dividend was 32 cents per share.

In 1981, Hutchison Whampoa reported net profits of US$136m, almost double 1980’s. Final dividend was 40 cents. Of course, the stock was one of the most buoyant on the market. In 1983, the reported earnings rose to US$149.7m.

Problems appeared in 1983. That year, the company, that had interest in property, transportation, manufacturing, retailing and engineering, offered a special bonus dividend (63 cent per share). This policy came directly from Li and was opposed by several senior executives who felt the cash could be better used by the company itself. A typical agency problem appeared: discrepancies between Li and the top executives turned into a major management reshuffle in 1984. Li fired old executives and installed men of his personal trust. George Marcus, an executive director of Hutchison since 1980 and of Cheung Kong (major shareholder of the company) became deputy chairman. Another man of his personal trust, Bill Shurmak, became group treasurer. Shurmak was assistant general manager for the Canadian Imperial Bank of Commerce, and had been the Hong Kong-based manager for Canadian Asia-Pacific between 1974-1978, during which time he was involved in various joint venture property deals with Li.

With the new team on board, Li designed an ambitious growth strategy. He developed a “house cleaning” operation that included selling his stake in TVB (one of Hong Kong’s private sector television companies in 1984), his 21% stake in Cross Harbour Tunnel and 4.9 % stake in Pearson (the English publishing, banking and industrial conglomerate) in 1987. H.W. had a corporate policy of seeking management influence over decisions made by companies in which it took a substantial stake, and some minority stakes were sold.
Nevertheless, the main strategies designed by Li in the 1980s involved an overseas expansion and investment in telecommunications and natural resources. To reinforce the international dimension of the company, in 1985 Hutchison opened a European office based in London. In that same year, he was appointed Deputy Chairman of the Hong Kong and Shanghai Banking Corporation (five years earlier he had been appointed non-executive director of this financial company). The managing director of the new office was Robin Johnstone, an executive director of N.M. Rothschild and Sons. In this context, H.W. diversified into ICTs and created Hutchison Telecommunications, a subsidiary contesting the franchise to provide cable television services to Hong Kong, and faced important investments in it. The company also acquired a percentage in Cable and Wireless, an English telecommunications group, and agreed a joint venture with this English company to launch a telecommunications satellite over China. In 1987, Cavendish International Holding was created as the investment and natural resources arm of Hutchison. The new company’s interests included 34.3% in Hong Kong Electric, an important percentage in Husky Oil of Canada (oil and gas producer), the ownership of Hong Kong’s Hilton Hotel and a percentage in Hutchison Cable Vision. In 1990, the company acquired Nokia Mobira (to reinforce the UK arm) and Cluff Resources UK mineral and mining company. In 1991 the company acquired BYPS Communications, the UK telepoint consortium. This was one of a series of Hutchison acquisitions in the UK, where the company planned to develop a full range of wireless personal telecommunications. A strong financial position allowed the company to look for new business opportunities. In 1992, just as the growth strategy based on overseas expansion was showing some problems, the Communist Party and Den Xiao Ping approached Li to invest in continental China. Opportunities were increasing due to this networking activity with the Communist Party and
later he was appointed non-executive director of the Hong Kong and Shanghai Banking Corporation (1980) and Deputy Chairman of the Bank in 1985. Overseas companies performed worse than the core business in China and Hong Kong. During 1991 and 1992, Hutchison wrote off 187m pounds sterling against Husky Oil and Gas and suffered losses in UK telecoms.30 The international expansion and diversification that characterised the company in the 1980s came to an end, although it did not totally disappear. H.W. returned to its core business of infrastructure and property in Hong Kong and China during the 1990s. Li began to focus on post-1997 Hong Kong and China. In 1992 the company acquired 50% of Shanghai´s container port.31 Li concentrated on investing in mainland China during 1992, especially focusing on retailing and manufacturing and property development projects in selected cities of China (Guangzhou, Shanghai and Qingdao).32 His connections with the Communist Party and his success as a businessman also helped him participate in institutions that would prepare future rules of the game in Chinese Hong Kong after British rule, which would in turn help him efficiently design what his corporation should be doing to maximize the opportunities for business in the new scenario of a new China: he served as a member of the Hong Kong Special Administrative Region’s Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong Special Administrative Region. Li was appointed member of CITIC, owned in 41 per cent by the Chinese government, the most important Chinese conglomerate involved in the economic development of the country, although a year later he abandoned membership. The Li family constitutes, thus, a good example of Baumol´s ideas about the multiple relationships that may exist between institutions and entrepreneurs: Li Ka-Shing was influenced by institutional conditions when he started in business in the 1950s,
but in the 1990s he was actively participating at the top level in the design of new institutions which would orientate the future economic growth of Hong Kong and China. The new situation and interests marked a major management reshuffle. In 1993 Simon Murray stepped down as managing director, and was replaced by Canning Fok. This replacement symbolised the group’s evolution from a British style trading company to a Chinese style corporation. Fok was regarded as a short-term stand-in for son Richard Li (26 years old), who was promoted at the same time to deputy chairman. During the first years of the 21st century, Li came back to the overseas expansion, this time not in telecommunications or natural resources, but in the beauty sector. In 2005, Watson group acquired the French company Marionnaud parfumeries SA. and became the world's largest health and beauty chain.

In the first decade of the 21st century, Hutchison has five core businesses: 1) Ports and related services, (Hutchison is the world's leading port investor, with 50 ports in Argentina, Australia, the Bahamas, Belgium, Egypt, Germany, Indonesia, Italy, Malaysia, Mexico, Myanmar, the Netherlands, Oman, Pakistan, Panama, Poland, Saudi Arabia, South Korea, Spain, Sweden, Tanzania, Thailand and Vietnam; 2) Property and hotels (specially in China, United Kingdom and the Bahamas); 3) Retail (8,700 retail stores in 31 countries worldwide, including companies like Drogas, Kruidvat, Rossmann, Savers, Superdrug, Trekpleister, Spektr, Watsons Your Personal Store, Marionnaud, ICI PARIS XL and The Perfume Shop); 4) energy, infrastructure, investments and others (e.g. water plants and related operations, or participations in Hongkong Electric Holdings (HEH) or Husky Energy; and 5) telecommunications, including Hutchison Telecommunications International Limited (HTIL) that operates mobile telecommunications services in Indonesia, Vietnam, Sri Lanka and Thailand). Philanthropic activities would be an unofficial sixth core business: Li Ka Shing says in the Li Ka Shing Foundation website that this
Foundation is his third son, as a third of his fortune is being invested in a variety of projects that focus in the education and welfare of many communities located around the globe. In May 2015, the market capitalization of the conglomerate was $59.8 Billion (Forbes).

Did Li take care of transferring his entrepreneurial eye to his heirs? Are his heirs prepared to inherit that entrepreneurial instinct? Li Ka-shing was the Chairman of Cheung Kong (Holding) Limited and Hutchison Whampoa Limited, when this research took place in 2011. Through Cheung Kong Ltd he controlled strategic shares in Hutchison Whampoa. His two sons have served as directors of the company in different areas, and both have Canadian citizenship (a detail which entitles them to legally invest in the area of the North American Free Trade Agreement NAFTA, for instance). The eldest son, Victor (born in Hong Kong in 1964) is the official successor in the Li family. He is Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited, Deputy Chairman of Hutchison Whampoa Limited, and Chairman of Cheung Kong Infrastructure Holdings Limited and CK Life Sciences international (Holdings) Inc. He obtained a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree from Stanford University. He serves as a member of the Standing Committee of the 10th National Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China. He is also a member of the Commission on Strategic Development, the Greater Pearl River Delta Business Council and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and vice chairman of Hong Kong General Chamber of Commerce. In addition, he is Director of the Hong Kong and Shanghai Banking Corporation Limited. These positions facilitate the strengthening of networking connections with the Chinese government and businessmen (Kriza and Keating 2010).
The international connections were planned in parallel with the internationalization strategy of the Hutchison Whampoa group. After studying in Stanford, Victor’s preparation was marked by the interests of Husky Oil, one of Canada’s largest energy and energy-related companies (Victor served also as director of this company). As part of his preparation, Victor was designated president of Concord Pacific, the company responsible for developing the Pacific Place project on the former site of Expo ’86 in Vancouver (Yeung 2000). He was 22 years old. The Vancouver experiences helped Victor gain knowledge and understanding in property development (not only in Hong Kong, but in the global market); established connections with Vancouver’s leading social network and hierarchy, and build a strong base, both personally and financially, to prepare his future career (Yeung 2000). Victor participated actively in establishing business networks and informal ties, and learned from consolidated businessmen. In fact, two other influential property magnates from Hong Kong were involved in the Pacific Place project: Cheng Yu-tung (New Work Development) and Lee Shau Kee (Henderson Land Development) who had already co-operated with Li in many other property development projects (Yeung 2000). In 1985 Victor joined the Group and acted as Deputy Managing Director from 1993 to 1998 (he was kidnapped in 1996). Victor served as a member of the Standing Committee of the 11th National Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China, and has been member of the Commission on Strategic Development and the Council for Sustainable Development of the Hong Kong Special Administrative Region. These network connections facilitated knowledge of the sector and insertion in information networks that enabled him, like his father before him, to identify future opportunities.
Li Ka-Shing's younger son, Richard, born in 1966, is Chairman of PCCW, one of Asia’s leading information technology and telecommunications companies. He went to Menlo Park School in California, and attended Stanford University, but did not graduate. The media provides a profile of Richard Li as a businessman who loves sports, but also the ICT industries. Richard first became interested in the media and technology industries in 1990 when, in his early twenties, he foresaw the opportunity for the creative development of information and home entertainment services in Asia. The result was STAR TV, Asia's first satellite-delivered cable-TV service, which by 1993 had a viewer base of 45 million. Richard Li sold STAR to Rupert Murdoch’s News Corp. and went on to form the Pacific Century group of companies, including PCCW Limited.

**Grupo Carso**

According to its website, Grupo Carso was born in 1980. The real foundation of the group began a few decades before, because as it happened in the Hutchison Whampoa’s story, the history of Grupo Carso is the history of a family and an entrepreneur. In the case of Carso, this story is in many ways the life of Carlos Slim and his family.

Carlos Slim was born in Mexico City in 1940, son of Julián Slim Haddad, a Lebanon expatriate who arrived in Mexico in 1902 (14 years of age), speaking no Spanish. His father arrived in Veracruz, and moved to Tampico, Tamaulipas, where four of his older brothers had already lived since 1898 (José, Elías, Carlos and Pedro Slim). The Slim brothers moved to Mexico City and in 1911 Julián Slim and his brother José founded the company La Estrella de Oriente (“the Star of the East”). In May 1914, during the Mexican Revolution, Don Julián, then 26 years old, bought his brother’s fifty percent stake. La Estrella de Oriente turned into an important dry goods store. The success of the business enabled don Julián to acquire eleven more properties
in the same area, one of the most commercial, active and significant in downtown Mexico City. By 1922, his net worth was already $1,012,258 pesos between real estate, businesses and various stocks.  

In 1926, Julián Slim married Linda Helú, a Mexican woman from Lebanese immigrant parents - José Helú and Wadiha Atta, who had arrived in Mexico at the end of the 19th century. They had five children: Nour, Alma Julián, José, Carlos and Linda. Julián Slim Haddad became a prominent businessman, well-known in the Lebanese community; a community that, according to the Department of State of Mexico, was “characterized by their work, their economy, their simplicity”. He served as president of the Lebanese Chamber of Commerce for almost 20 years (from 1930 until the end of the 1940s).

Carlos Slim Helú received a strong set of business values from his father in early childhood, as his father taught him to handle his personal accounts while he was a teenager. The influence and also the good conditions for maths played their role to explain that Carlos Slim opened his first checking account and bought shares of Banco Nacional de México when he was 12 years old. When he was thirteen, in 1953, his father died. In contrast with Li Ka Shing, who abandoned studies after he became orphan when he was 15 years old, Carlos Slim could continue his studies and graduated in civil engineering at the Universidad Autónoma de Mexico, in 1960. In that University he would teach Algebra and Linear Programming while he was still studying. In 1965, when he was 25 years old, he established the bases of Grupo Carso, by incorporating Inversora Bursátil (investment company), Jarritos del Sur (bottling company) and Inmobiliaria Carso (real state). One year later, in 1966, Slim married Soumaya Domit Gemayel, a woman member of the local Lebanese immigrant elite of Mexico City (Soumaya was the daughter of the entrepreneur Michel Domit
and niece of the ex-president of Lebanon Amin Gemayel). This was a proof of important social promotion at home in Mexico and abroad in Lebanon. They had six children: Carlos, Marco Antonio, Patrick, Soumaya, Vanessa and Johanna.

After his marriage, with the inherited taste for discipline in management of his father, the new social capital obtained after his wedding, and his own hard work, and in a very similar way to the one followed by Li Ka Shing in this decade of the 1960s in Hong Kong, Slim founded and acquired several companies in the real estate business during the second half of the 1960s: Promotora del Hogar, S.A. (residential real estate company) and GM Maquinaria, (buying, selling and renting construction equipment) in 1967; Mina el Volcán SSG Inmobiliaria, S.A. (real estate) in 1968; Bienes Raíces Mexicanos, S.A. (real estate), Nacional de Arrendamientos (real estate), and Invest Mentor Mexicana (investment company) in 1969; Pedregales del Sur, S.A. (real estate) in 1972. In 1976 he acquired 60% of Galas de México, a printer of labels and calendars. In 1980, Grupo Galas was born, and its principal activities were: industry, construction, mining, retail, food and tobacco. This was the true economic takeoff: an industrial investment in 1981, in a tobacco company, Cigatam, that generated a great deal of cash flow and allowed to reinvest and have cash to buy, when the debt crisis came in 1982, some companies “at 1.5% of their book value”.44

In 1982, the Mexican Government threatened not to pay its national foreign debt, and this unleashed a crisis both in Mexico and throughout Latin America, where the net flow of bank loans came to an abrupt halt (Bulmer Thomas 2003). It was an opportunity for investors with cash: Slim bought Reynolds Aluminio, General Tire, Bimex, S.A., Hullera El Centenario Firestone, 40% of British American Tobacco, 33% of Anderson Clayton, Seguros de México; Sanborns, Dennys, Fábricas de Papel Loreto y Peña Pobre, Pamosa, 50% of Hershey’s and Artes
Gráficas Unidas; Empresas Nacobre, Minera Frisco and Química Fluor. In 1984, Slim created Grupo Financiero Inbursa – the financial arm of Slim’s conglomerate. In Carlos Slim’s own words: “We paid peanuts for important stocks. These were good times to buy cheap. We got these companies going and subsequently we sold some of them”.45

During the 1980s a period of privatizations began in Mexico, especially between 1984 and 1988. To finance the growth strategy planned to take advantage of the emerging opportunities, Grupo Carso went public with an Initial Public Offering in 1990. Then, a restructuring process was made by centralising the different business areas, through mergers of the Group’s companies and international IPOs.46

The new scenario enabled Slim to diversify his core business in a promising area: telecommunications. The same had happened during the same period in the Chinese case study analyzed above: savings from traditional businesses, in de-regulatory contexts, and favourable relationships between entrepreneurs and politicians, were invested in new businesses with potentially great opportunities for growth. In 1990, Slim won the bid to acquire Telmex jointly with Southwestern Bell and France Telecom. Carso Global Telecom, the holding company for Telmex, was born. Several acquisitions reinforced the position in other business areas: Hoteles Calinda; Condumex and a majority interest in General Tire and Grupo Aluminio; in 1999 Pastelería Francesa El Globo, and Carso Infraestructura y Construcción, S. A. (CICSA), a construction and engineering company, was created. To clarify the organizational structure, in 1996 Grupo Carso was split into three companies: Carso Global Telecom, Grupo Carso and Invercorporación.47

During the 1990s and the first decade of this present century, the telecommunication area was reinforced by a lot of acquisitions made throughout America. His presence in the North
American market improved with the launch of Telmex USA (1997), and the acquisition of an interest in the cellular company Tracfone (1999). In 2000, América Telecom was born and Slim acquired equity stakes in American cellular telephone companies, such as ATL and Telecom Americas in Brazil; Telgua in Guatemala; Conecel in Ecuador; and Techtel in Argentina. That year, Carlos Slim and Bill Gates opened the Spanish portal T1msn, in Mexico. This was a strategic alliance that confirmed the solid networking connexion of the successful Mexican businessman and his capacity to translate it into new lines of business. During the first years of the new century, Slim reinforced his position in telecom by acquiring shares of cellular telephone companies in Brazil (Tess, Telet, Americel and a larger stake in ATL in 2001); Comcel (Colombia), Techtel in Argentina; and increases in its equity stake in cellular telephone companies in Brazil, in 2002; acquisition of shares of Celcaribe (Colombia), BSE and BCP (Brazil), CTE (El Salvador), and CTI (Argentina), in 2003; Entel (Nicaragua), Megatel (Honduras), most of the stock of CTE (El Salvador), AT&T Latin America (Argentina, Brazil, Chile, Colombia and Peru) Chilesat, Techtel, Metrored and Embratel, in 2004.48

What was the complex strategy designed by Slim to maximize the opportunities? In his own words, “what we do is get undervalued, poorly-run firms and turn them around”.49 Added to this was the vision to invest in sectors with high potential of growth, in which proximity to high political authorities, and excellent knowledge of how to handle external providers and local competitors, minimized the apparent market risks of investing in new activities. Carso’s market capitalisation went up, as proof of the market’s esteem for Slim’s skills.50 Slim’s investment in the United States was completed with the acquisition of 6.4% of the New York Times Company in 2008 (6.9% in 2010). The financial part of the conglomerated Grupo Financiero Inbursa established a strategic alliance with La Caixa de Barcelona, an important bank of Spain.51
May 2017, the market capitalization of Carso Group, the holding company, which engages in the retail, industrial, and construction business, was $10.5 Billion (Forbes).

In parallel with his business interests, and in the same way followed by the Chinese Li Ka Shing, Slim has developed an intense philanthropic activity, both in his own name and through various companies. He created Fundación Carlos Slim Helú in 1986; Museo Soumaya (for his wife) in 1994; Fundación Telmex in 1995; and Fundación del Centro Histórico de la Ciudad de México in 2000. His international activity after retiring from direct management of daily routines in his group to transfer them to his heirs has increased in the last years: member of the United Nations Organization (UN) on energy and climate change, Vice Chairman of the Mexican Stock Exchange and Chairman of the Mexican Association of Brokerage Firms; and first Chairman of the Latin American Committee of the Board of Directors of the New York Stock Exchange are only a few of the positions not directly linked to the group that indirectly have made him participate in the design of institutional conditions in which the companies of his group are operating (as it has happened in China with the Li group, confirming Baumol’s ideas about the double direction of the links between politics and entrepreneurship).  

Carlos Slim’s ability to transfer management to his heirs by delegating power, by promoting their education, and facilitating a practical training of his offspring to top positions inside the group, under the careful eye of people in his trust, has greatly contributed to minimising difficulties in the generational transition. In 2009, his succession was ready. When this research took place, Carlos Slim Domit (43 years old) was currently Honorary Life Chairman of Grupo Carso, a position he also held at Telmex, América Móvil and Grupo Financiero Inbursa. The day-to-day business was already controlled by Carlos, Marco Antonio (42 years old) and Patrick Slim Domit (41 years old), who served as directors of Grupo Carso. Carlos Slim Domit is the
chairman of Carso Group (19 years on the board), president and General manager of Sanborns, Chairman of Telmex International, Teléfonos de Mexico, Carso Global Telecom. He held a degree in Business Administration from Universidad Anáhuac. Marco Antonio Slim Domit (14 years on the council of Grupo Carso) was Chairman and General Manager of Inbursa (the financial arm of the group), Chairman of Inversora Bursatil, and Seguros Inbursa, Deputy Chairman of Impulsora del Desarrollo y Empleo en América Latina, and director of Teléfonos de México, Carso Global Telecom. He held a degree in Business Administration from Universidad Anáhuac. Patrick Slim Domit (14 years on the council of Grupo Carso) was Deputy Chairman of Carso Group, Chairman of América Móvil, Comercial manager of Teléfonos de México, Chairman of Grupo Telvista, director of Teléfonos de México, Carso Global Telecom, Impulsora del Desarrollo y el Empleo en América Latina. He held a degree in Business Administration from Universidad Anáhuac.53 It is interesting to observe that Slim could have perfectly paid for a world prestigious university education for his sons, but preferred to educate his successors in a famous Mexican university that has been linked since 1964 to the “Legionarios de Cristo”, an elitist Catholic group with strict values that he wanted his family to adopt in their handling of life and business. Maybe this Catholic upbringing has contributed to the great respect Slim’s offspring manifest towards their father and his decisions, very different to the opposition some offspring manifested towards the founding father in the succession process of the Brazilian case study we analyze in the next section.

Carlos Slim still supervised the business, but several trusted men also helped his sons in choosing the best business options. One example is Juan Antonio Pérez Simón, 76 years old (born in 1941) and 24 years as director of Grupo Carso. He has been a manager loyal to Slim, Chairman of Grupo Sanborns, Deputy Chairman of Teléfonos de México.54 Moreover, several
important Mexican businessmen also served on the board of directors of Grupo Carso, thus strengthening personal ties with the local elite. Among them, Antonio Cosío Ariño and his son Antonio Cosío Pando.\textsuperscript{55}

With these and other alliances, Slim’s sons are inserted into the social network and hierarchy of the Mexican elite. They have been strongly connected with other Mexican families in business, participated in national circles of information, and completed their education with the advice of important and experienced businessmen. To reinforce social networks, not only in Mexico but in Latin America, Slim (together with Venezuelan businessman Gustavo Cisneros) created a special meeting for the most important Latin American families in business.\textsuperscript{56} The first meeting took place in Mexico in 2003, and Slim was the generous host who paid all the expenses. The other meetings took place, with local elite families of business as local hosts, in 2006 in Argentina and 2009 in Colombia.

Companhia Brasileira de Distribuição (CBD), or Pão de Açúcar

CBD, the second biggest retail company in Latin America and among the top corporations of Brazil, was founded in 1948 as Doceira Pão de Açúcar (a pastry shop) by Valentim dos Santos Diniz, a Portuguese immigrant - son of merchants - who arrived to Brazil in 1929 when he was 16 years old. At the beginning of the 21\textsuperscript{st} century, CBD was the second largest family controlled group of Brazil (according to sales in 2008). Secondary sources provide biographical data about the origins of the founder and the training of his heirs (Dalla Costa 2009, Diniz 1998). Diniz arrived in Sao Paulo, where he lived with José Tenreiro, his grandfather’s brother who was working at the time in the Companhia Antarctica Paulista. Two weeks after his arrival, Valentim was already working in Real Barateiro (a trading company), assisting in all kinds of basic services, and learning how trade worked in what was then the big city center and market of the
country. As happened in the case of Li Ka-Shing of Hutchison Whampoa and Carlos Slim of Grupo Carso, marriage (with Floripes, member of the local Portuguese community, in 1936) and the birth of the first son (Abílio in 1937) made Diniz abandon his low-paid job and invest savings and money from family and friends in expanding his future and business horizons (in a modest shop of his own, in a partnership named Padaria Nice in 1937, and in Panificadora e Mercearia Lalys). In 1948, Doceira Pão de Açúcar started with forty employees. According to the website of the company: “a big dream was born: to build a solid company, committed to not only the commercial aspects, but also with a social role”. The company adopted a gradual but fast growth strategy. Four years after its foundation, in 1952, Doceira Pão de Açúcar's had two stores, and few years later, in 1959, the first supermarket was inaugurated. During this period, in 1956, the oldest son Abílio began to work with his father, while he was studying Business at the Fundaçao Getúlio Vargas. He was a key agent in the company’s expansion. In fact, after finishing his degree, Abílio wanted to study a Ph.D in Economics in the United States, but his father convinced him to stay in Brazil to create the first supermarket of the Diniz family, an expanding sector due to the big size of the country and the relative scarcity of foreign and local competitors (Dalla Costa 2009). In fact, the growth strategy was lead by Abílio and a few professional consultants from Fundaçao Getúlio Vargas, including Luis Carlos Bresser Pereira, administrative director of the school. Some data show the success of the ambitious strategy in few years: The company had 11 stores in 1965, thanks to the merger with the "Sirva-se" chain. In 1966 the company also started to expand its commercial radius, by inaugurating the first store outside the city of São Paulo, in Santos. In 1968, the company comprised 64 stores. During that decade, the founder Valentim was president of the Câmara Portuguesa de Comércio de Sao Paulo. Membership in local chambers of trade, something also put into practice by the
Slim and the Li families, allowed close networking and the flow of information from a strategic institution, and it meant social promotion for people with foreign origins who were visibly succeeding in businesses.

The internationalization process of the group began at the same decade, in 1968, when the International Division was created to manage new stores of the Companhia Brasileira de Distribuição in natural markets in which they had cultural affinities that helped reduce risks (Portugal, Angola, and Spain).59 During the 70s, Companhia Brasileira de Distribuição consolidated its expansion thanks to the acquisition of the EletroRadiobraz chain and with the creation of a new commercial formula, Jumbo stores, the first generation of hypermarkets in Brazil. Growth strategy fed by acquisitions continued in the following years. They acquired the supermarket chains Superbom, Peg-pag and Mercantil. Companhia Brasileira de Distribuição investigated the growing needs of the different segments of society, and was pioneer in creating new models to respond to these demands. According to these premises, in 1979 the company inaugurated the Minibox chain: “a concept of "no-frills" stores, with fewer varieties of items at very competitive prices, targeting the low-income population”60, a Brazilian version of the Wal-Mart model.

A large diversification process occurred during the 1980s. The company acquired five stores of Bazar 13 and six from the Morita chain.61 The first two Superbox stores, a successful new formula that implemented the concept of large deposits of food products, were established in 1980, in Jundiaí and Rio de Janeiro. In 1989, the company had 54,479 employees. The results of the growth strategy could not be more positive, but the firm wanted to continue the expansion, and did so by innovating. The market, however, would suffer in these decades. To face the significant changes in the sector marked by the creation of the second generation of
hypermarkets, Companhia Brasileira de Distribuição designed a new format: extra stores, “which besides operating with large selling areas, offer state-of-the-art technology and a broad range of products”. 62

The extraordinary growth was not balanced with a successful family succession in the business. In 1988, a conflict occurred in the family. The next generation of the family (Abilio, Alcides and Lucília) had different perspectives of the firm’s future. In fact, the founder had to return to the position of President in order to prevent the company’s demise. The conflicts had to be resolved in court in 1993. As a result of the crisis, Alcides sold his part of the company and Abilio (the eldest son) and Lucília (the youngest daughter) remained as shareholders and directors of the company.

External consultants (Conemp, by Gerald Reiss and Andréa Calabi) and new professional managers helped the family to carry out an important internal restructuring of the top management of the group, and the sale of several firms including their bank. The founder was in favor of his son being the heir who should take control of the process, but this created problems. The family conflict provoked many losses, and the yielding of the first position in supermarkets in Brazil to the foreign group Carrefour (Dalla Costa 2009, 149). This happened at difficult macroeconomic times.

The financial needs almost strangled the reengineering process. In October 1995, to finance the new growth strategy with higher investment needs, the company conducted an initial public offering. They were, again, pioneer on the use of this formula. Pao de Azucar “was the first issuance of preferred shares by a food retailer to begin trading on the São Paulo Stock Exchange”. The public offering occurred in May 1997, (US$172.5 million raised) and as a result, the company represented the first ADS listing on the New York Stock Exchange by a
Brazilian retailer. The company made new restructurings in order to adapt to the dynamic scenario. In 1997, a centralizing system was established; the activity of the purchasing, distribution and other administrative functions was transferred into central divisions, instead of the old model of independent stores. The company needed to improve economies of scale and reinforce its power with the suppliers in order to translate it into better price and payment conditions. In 1998, a new restructuring process affected the company. The last years of the 1990s and the first decade of the new millennium was a period of continuous growth - generally thanks to acquisition - and renovation. In 1999 the company acquired the Peralta chain, (comprising 37 supermarkets and a hypermarket), and Guassu store located on the coast of São Paulo State. In 2000 it opened 16 new stores and acquired 64 (e.g. Reimberg, Nagumo, Parati). It reinforced its distribution and technology structure by opening 3 new distribution centers in São Paulo state, and through the construction of a new Data Center, “fully based on the EMC infrastructure, leader in systems of data storage. This process resulted in the achievement of the maximum level of the EMC Proven Certificate, making CBD the first company in the world in its industry to receive this certificate”. In 2001, the company implemented a new category management system. That year the company acquired 26 stores of the Supermercados ABC S.A. to consolidate its position in Rio de Janeiro state, the second largest consumer market in Brazil, where the company currently represented nearly 14% of the total sales in the industry. The acquisition policy continued the following years, with Sé Supermercados chain or Comprebem chain. From August 1999, the company had a new strategic partner, Casino Group, a large French chain. Another important agreement that influenced in the company’s accounts was the partnership agreement with Banco Itaú Holding Financeira, signed in 2004, to establish
a new financial institution named Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento, or Itaú CBD.

Due to this expansion, and the memories of the conflicts of the 1990s that for the family almost marked their end, the professionalization of management was seriously studied and adopted. External consultants (John Davis, from Harvard, who had been professor of Abílio´s daughter Ana María at Harvard Business School, worked for Abílio since 2002, according to Dalla Costa 2009, 155) advised in the succession to the third generation of the family (Abílio´s heirs). After talking to John Davis, Ana María, the possible future family manager of the group, in a bid to avoid the problems faced by her father in the past, decided to professionalize the plans of succession to the next generation. In 2002, Ana María, Abílio, Joao Paulo and Pedro Paulo (from the third generation of the Diniz family) went to Harvard for consultation from John Davis, and came back with a plan to manage the future organization at the top level of the group: the Diniz family would retire from executive positions; three committees would start operations (executive, finances, and development plus marketing) to link the administration council with the Presidency of the Group. Abílio and his offspring Ana María and Joao Paulo Diniz would participate in these committees; Abílio would have the presidency of the administration council replacing the father; and the vice-president directors would become extinct. A new visible C.E.O., Augusto Cruz, would be in control of the day-to-day operations in the firms of the group (Dalla Costa 2009). Currently, Abílio Dos Santos is the chairman of the board, and Valentim dos Santos is the Honorary Chairman. An external executive, Eneas Cesar Pestana - who began his career in the company in 2003, after working at Carrefour - is the Chief Executive officer. In May 2017, the market capitalization of the company was $5.9 Billion (Forbes).
Some final remarks

The long-term analysis of external and internal contexts of three significant case studies like the family controlled groups of Hutchison Whampoa (China), Grupo Carso (Mexico) and Pao de Açúcar (Brazil) suggests that there are at least six comparable aspects in the way large family businesses create and transfer the entrepreneurial spirit from generation to generation, despite the internal business differences revealed in Appendix 1.

First, the three groups have been growing enormously through the conquest of their huge national markets, and have developed important skills in organization, execution and logistics. The cases of Grupo Carso and Hutchison Whampoa confirm Baumol´s, Wadhwani and Jones´ideas regarding the influence of institutions in entrepreneurs, and the influence of entrepreneurs in institutions that orientate their businesses. Between the 1950s and the 1980s Carlos Slim and Li Ka Shing were highly conditioned by path dependent conditions of their different environments in Mexico and China, but after the 1990s their reputation and success made them participate in top level positions of institutions that had to establish new rules of the game that would also affect the companies in which they had a stake.

Second, the founders of the three groups were relative outsiders in their countries, and their ambition to be very visibly integrated and high up in the social ladder has therefore very possibly contributed to moulding their leadership and their entrepreneurial ambition: two of them were foreigners or belonged to foreign families (Lebanon in the case of Carlos Slim, Portugal in the case of Valentim dos Santos Diniz) and one grew up in business in what was a British colony in China (Hong Kong) for many years (Li).

Third, the three founders have created extensive and useful networks in three important directions, thus also confirming what business history has indicated about the importance of
diasporas and immigration in pooling together capital and human resources for entrepreneurship: a) their wives and their wives’ families played key roles as providers of resources and social capital at the beginning of their career as entrepreneurs; b) the three established strong connections with the foreign community to which they belonged (at home and abroad); and c) the three created and transferred to their heirs privileged personal relationships with the local elite and with elected Presidents and dominant political parties in their home countries.

Fourth, all three have hired professional managers with global experience and external consultants to design and develop their growth as regards the business sphere and also the family wealth sphere. The growth of the business required, particularly when investing in new business activities and while heirs were in early childhood not just professionals, but loyal professionals trained in global businesses, and for this the Mexican Slim, the Chinese Li and Brazilian Santos Diniz trusted local and international business schools where friends, and relatives received training and contacts.

Fifth, all three of them have completed, or are finishing, the transitional process of generational succession from the first to the second generation, managing to handle not just a more or less peaceful dialogue with young heirs (as seems to have been the case in the Slim family), but above all the frequent problems associated with large family firms linked to the management of two sources of conflict: the different perceptions of founder and heirs about what business should be about (in the Li family, two sons show very different interests and skills compared to the father’s, which could potentially compromise the future of the corporation, according to some gurus); and the different views about who should participate – and how - in the succession
and wealth transfer of the family business and the family wealth (as has happened in the Diniz family).

Finally, the three significant cases analyzed in the article demonstrate that path dependence is a key factor that explains when and why difficulties may be transformed into opportunities by entrepreneurial families able to combine market conditions with the internal competitive advantages mentioned above. In this sense, our findings are consistent with previous literature about path dependence developed by Paul Pierson and Jörg Sydow (Pierson 2000; Sydow, Schreyögg, and Koch 2009). However, to participate more fully in this debate, additional research, which does not enter the brief of our article, would be necessary. The Hong Kong riots of the 1960s could not have been the right times for business, or the Mexican debt crisis of the 1980s, or the Brazilian inflation of the 1980s. However, the families of the Slim in Mexico, the Li in Hong Kong, and the Santos Diniz in Brazil had accumulated during previous decades the values from their ancestors, the social capital from their immigrant and local communities, and the savings from modest businesses started to finance the creation of a company and the beginning of a new family. Carlos Slim´s father died when he was 13, Li Ka Shing´s father died when he was 15. Both left them memories of sacrifice, discipline, savings, and accumulated social capital, all of which were necessary to transform difficult situations into opportunities. With more or less success they professionalized the management of the business and the management of the family, and therefore have been able to create new powerful dynasties that, since the 1990s, participate in the design of the new rules of the game that affect family businesses in their countries and in the world.
Notes

1. Although the peculiarities of family firms in terms of entrepreneurship is still and emerging field, the linkages between entrepreneurship and family business is obvious and strong. Many family business departments/chairs and centers of study are inserted in entrepreneurship institutions, i.e. IESE, ESADE, IE, Insead, Management School at Lancaster University, etc. Moreover, as Sharma pointed out in 2004, family business research has deserved special issues on the topic in some of the top-ranked entrepreneurship journals such as Entrepreneurship Theory and Practice, and Journal of Business Venturing (Sharma, 2004).

2. See http://www3.babson.edu/eship/step/.


5. Cheung Kong was defined by Financial Times in 1982 as “fast-growing property group” and it held a 42% stake in Hutchison Whampoa. “Hong Kong: Financial Times Survey: A Strong Balance Sheet”, The Financial Times, June 21 1982, p. XI. In 1984 Mr. Li was defined as “one of the territory’s most formidable business figures”. “Cheung Kong Lifts Stake in Hutchison Whampoa”, The Financial Times, June 02 1984, p. 21.


Mexico’s mysterious one-man conglomerate.

Information from Grupo Carso Annual Report 2009.

Theresa present at the first meeting were the following. From Mexico: Carlos Slim, Emilio Azcárraga from Televisa, María Aramburuzabala from Grupo Modelo, Lorenzo Zambrano from Cemex, Lorenzo Servije from Bimbo, Bernardo Quintana from ICA, Antonio Cossio from Grupo Industrias Tepejil Del Río, Alberto Bailleres from Grupo Peñoles, Antonio Fernández from Cervezas Modelo and José Antonio Fernández from Femsa. From Venezuela: Gustavo Cisneros from Grupo Cisneros, Ricardo Poma from Grupo Poma, Juan Luis Bosch from Multinversiones, and Gustavo Julio Vollmer from Palmar-Banco Mercanti. From Colombia: Julio Mario Santo Domingo from Santo Domingo-Bavaria, Carlos Ardila Gaviria from Grupo Ardila, Luis Carlos Mayer from grupo Mayer and Luis Carlos Sarmiento from Organización Sarmiento-Banco Bogotá. From Chile: Andrónico Luksic from Grupo Luksic, Alvaro Saieh from Corbanca and José Said from Embotelladora Andina. Brazilian: Luiz Carlos Fráas from Folha, Pedro Moreira from Unibanco, Marcelo Odebrecht from Grupo Odebrecht, Eugenio Staub from Gradiente, Joao Roberto Marinho from O'Globo and Joseph Safra from Grupo Safra. From Argentina: Carlos Miguens Bemberg from Grupo Bemberg, Alberto Roemmers from Roemmers, Federico Braun de Grupo from Importaciones and Exportaciones de la Patagonia, Eduardo Constantini from Consultatino and Ricardo Esteves from Pampas Huetal. From Ecuador: Arturo Noboa.

64. http://portalexame.abril.com.br/gestao/noticias/john-davis-anuncia-abertura-escritorio-brasil-559719.html accessed 23rd June 2010. John Davis is an American professor (at Harvard Business School since 1996) and one of the pioneering consultants on family business. He has also served on the faculty of the Graduate School of Business at the University of Southern California, and has lectured on family business management at Stanford University, IMD (Switzerland), INCAE (Costa Rica).

References


### Appendix 1

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<td>Hutchison Whampoa Limited</td>
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<td>$35.1 B (Data 2015)</td>
<td>280,000 employees worldwide (Data 2015)</td>
<td>Holding company, five core businesses: ports and related services; property and hotels; retail; energy, infrastructure, investments and others; and telecommunications.</td>
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