Traditional Authority in Social Context: Explaining the Relation between Types of Family and Types of Family-Controlled Business Groups

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Abstract: The existence of family-controlled business groups challenges assumptions of rational economic behaviour in a corporation. These organizations embrace unrelated diversification, appoint executives based on lineage rather than expertise, and engage in non-arms length transactions between firms in the family group that are often not based on market pricing. Despite contradicting well-established best practices of corporate behaviour, family-controlled business groups are successful and represent a growing proportion of global commerce. We lack an overarching theoretical explanation for the success of family-controlled business groups. This chapter offers a theoretical framework that explains the success and geographical variation of these unique organizational forms. Our core argument is that variations in the governance structure of FCBGs reflect variation in the manifestation of family authority globally. In the west, where FCBGs are quite rare, so too is the hierarchical authority structure of the traditional extended family. As a result, the success of FCBGs outside the US, Canada, and the UK occurs because of two factors: the legitimacy of the extended family and its prevailing governance structure premised on hierarchical authority, and the explosive growth in population in those countries that embrace the extended family.

Keywords: authority, family-controlled business groups, organizational forms, governance structure, hierarchical authority

INTRODUCTION

Management theorists have struggled to explain the paradoxical success of family-controlled business groups (FCBGs), an organizational form that is quite rare in the US, Canada or the UK, but serves as the dominant organizational form in much of the rest of the world (Khanna & Yafeh, 2007; La Porta et al., 1999; Morck & Yeung, 2003; Economist, 2015). FCBGs are a subset of business groups, collections of firms that are legally independent from each other but are economically interdependent because of pre-existing social ties that, in the case of FCBGs, originate from formal familial connections (Barca & Becht, 2002; Claessens et al, 2000; Morck, 2009).

FCBGs defy many of the normal governance practices of Anglo-American corporations; they engage in unrelated diversification (Gopal, Manikandan & Ramachandran, 2021), appoint executives because of lineage rather than expertise (Bellow, 2004; Chen, Chittoor & Vissa, 2021), and engage in non-arms length transactions between firms in the family group that are often not based on market pricing (Fisman & Wang, 2010). Each of these practices challenges assumptions of rational economic behavior in a corporation. If these practices were to occur in an Anglo-American organization, they would immediately trigger a reaction from shareholders, auditors and the board of directors as signals of failure of governance structures to manage agency relationships between the managers and the owners.

Yet despite contradicting the best practices of corporate strategy and governance in the US, Canada and the UK, FCBGs are not only common, they are uncommonly successful, particularly in emerging markets (Khanna & Yafeh, 2007; Carney, 2005; Chittoor, Kale & Puranam, 2015). As a result, the number of family-controlled businesses is growing rapidly, particularly in Asia (Economist, 2015; Woolridge, 2015). Although the empirical evidence is complex and mixed, there is an emerging consensus that FCBGs outperform traditional corporations (Mazzi, 2011; Le Breton-Miller & Miller, 2006; Carney, 2005; Chittoor, Kale & Puranam, 2015). While the consensus is not unanimous (Morck & Yeung, 2003), a variety of factors have been offered to explain why FCBGs succeed despite their failure to adopt Anglo-American practices of corporate governance. These factors include the high level of public trust in family-controlled businesses globally (Deephouse & Jaskiewicz, 2013); a more 'strategic' approach to diversification (Carney & Gedajlovic, 2002; Gomez-Mejia, Marki & Kintana, 2010; Gopal, Manikandan & Ramachandran, 2021); an ability to adopt a longer time horizon (Sirmon & Hitt, 2003; Lumpkin, Brigham & Moss, 2010); a unique capacity of the family to exert control over firm resources (Carney, 2005); and a capacity to balance tradition and change (Erdogan et al., 2020; Suddaby & Jaskiewicz, 2020).

While compelling, these factors offer somewhat ad hoc contingencies that explain the success of some FCBGs, but not all. More critically, they fail to account for the relatively consistent variation of types of FCBGs– e.g., *grupos economicos* in Latin America, *chaebols* in Korea, or *guanxi qiye* in Taiwan – whose organizational characteristics vary across different country and cultural contexts. The uniqueness of FCBGs and the incredible variation in form is theoretically interesting because they represent a hybrid form of organizing somewhere between markets and hierarchies (Williamson, 1975). As such, their existence and growing popularity challenges western economic assumptions about the boundary between firms and markets. We lack an overarching theoretical narrative that can explain the ubiquity and heterogeneity of FCBGs that goes beyond assumptions that they are a "socially destructive" precursor to the publicly traded corporation (Morck & Yeung, 2003).

We propose an explanatory theoretical narrative in this chapter. Our core argument is that variations in the governance structure of FCBGs reflect variation in the manifestation of family authority globally. In the west, where FCBGs are quite rare, so too is the hierarchical authority structure of the traditional extended family. As a result, the success of FCBGs outside the US, Canada and the UK is determined by two factors. The first is the legitimacy of hierarchical family authority in Asia, South America and some parts of Europe where extended families predominate and family-controlled corporations and business groups are abundant. By contrast, the legitimacy of rational-legal authority is common in the US, Canada, UK and parts of Western Europe where nuclear families and publicly controlled corporations predominate. The second factor is the dramatic difference in population growth in those parts of the world where hierarchical authority structures remain dominant and the reciprocal stagnation or decline in population growth in those parts of the world where more rational-legal authority structures are dominant. FCBG's, thus, thrive in contexts where hierarchical, extended families are the norm.

We adopt a configurational view that assesses the degree of fit between different types of authority in FCBGs and the prevailing value structure of the country from which a business group originated. We draw from German sociologist Max Weber's description of three types of legitimate authority; rational-legal, traditional and charismatic. Most research on business groups implicitly assumes the primacy of rational-legal authority, which is the dominant form of authority in modern corporations. However, we observe that many FCBGs structure their governance practices on traditional or charismatic forms of authority (see e.g., Carney, 2005), implying fundamentally different approaches to internal governance of FCBGs that call for more holistic theory development across countries.

One reason for the prevalence of different approaches to the internal governance of FCBGs across countries lies in cultural variation. Many scholars have rightfully criticized that management theories commonly used to study family businesses blatantly ignore the culture in which businesses are embedded. This omission is particularly precarious considering that families are shaped by the values of their culture and, as a result thereof, families and their businesses vary starkly across cultures (Hofstede, 2001; Jaskiewicz et al., 2021). To fill this pertinent void in our knowledge, we embed the type of legitimate authority in its particular cultural context by drawing from Inglehart's (2006) observation that global value systems map into two dimensions of cross-cultural variation; the traditional/secular dimension, and the survival/self expression dimension. Combining these two typologies, one of which captures the variation in internal governance practices while the other captures variation in cultural context, we create a configurational model that describes the relationship between cultural context, authority type, and organizational form, offering a framework to understand the prevalence and variation of different types of FCBGs worldwide.

We present our argument as follows: the next section describes the basic similarities and differences in FCBGs, why they are important, and how they cluster geographically. Section 3 describes the three basic authority types and explains how each authority type maps onto different categories of FCBGs. Section 4 describes two dimensions by which values cluster across different cultures. In section 5, we present our configurational model of FCBGs that shows how prevailing cultural assumptions of legitimate authority in different countries influences the prevalent type of family and FCBG most appropriate to that country. We conclude this section by introducing four moderators that might help explain variation in the family type-FCBG type relationship within countries. In Section 5, we briefly explore two effects that are likely to shape the prevalence and impact of particular types of FCBGs in the years to come. We conclude our chapter with a brief summary and a discussion of implications for the future study of FCBGs.

Family-Controlled Business Groups: Variations in Types

FCBGs have been prominent but relatively invisible component of the economies of developing countries for some time now. Recently, however, they have attracted attention in western media because of their growing capacity to compete with, and occasionally acquire large, publicly traded corporations in developed countries. The 2007 acquisition of the Dutch-UK steel manufacturer, Corus Group by Tata Steel, which is part of the highly successful Indian multinational Tata Group, is one such example. Tata Group is a family-controlled business conglomerate consisting of 28 subsidiaries and over 80 operating businesses, all organized under the umbrella of its main holding company Tata Sons Limited, which itself is controlled by family trusts (Thomsen, 2011).

FCBGs are a subset of a larger category of business groups, loosely defined as "a collection of firms bound together in some formal and/or informal ways" (Granovetter, 1994: 454). A more precise definition of business groups is offered by Yiu, Bruton and Lu (2005: 183) as "a collection of legally independent firms that are bound by economic (such as ownership, financial, and commercial) and social (such as family, kinship and friendship) ties". Our focus is on those firms that are economically integrated based on family or kinship ties. FCBGs are those in which "an individual or family are involved in the ownership, control, and management of the business group" in which "there is no separation of the roles" (Cuervo-Cazurra, 2006: 6).

There is considerable variation in how FCBGs are organized. In Korea, business groups are termed *chaebols* in which the family owns a majority interest in a parent company, and member firms, often led by family members, create a vertically linked network to transfer inputs and outputs between the member firms (Chang & Hong, 2000). Business houses in India tend to form as a densely structured network of cross-ownership by all family members (Khanna & Rivkin, 2001). There are related organizational and family relational differences that define *grupos economicos* in Latin America, *family holdings* in Turkey, and *guanxi qiye* in Taiwan. Perhaps unsurprisingly, scholars have struggled to organize them in one typology and, instead focused on rich descriptions of prominent FCBGs. Despite very valuable insights into the development of particular FCBGs, this approach has prevented efforts to develop theory on FCBGs *across* countries.

Fortunately, we do not need to start from scratch. Yiu and colleagues (2007) impose some conceptual order on the variations in corporate structure and social relations that define these business groups in a typology based on two dimensions – horizontal connectedness and vertical linkage. Horizontal connectedness focuses on the degree of interdependence between firms in strategic decision-making. Vertical control refers to the strength of control exercised by the parent firm or core owner elite and the affiliate firms in the business group. Based on these two dimensions, Yiu et al. (2005) identify four types of business groups: network form, club form, holding form and multidivisional form.

While Yiu et al. (2007) do not explicitly theorize the role of family or kinship relations in each of these types, they do describe differences in the role of social relations between executives in each type. They also identify the country or cultural context in which each type is most likely to appear. Based on this, we can easily infer the dominant type of authority structure for each type when family ownership is the primary basis of the business group. We briefly elaborate each of the four types below and summarize their characteristics in Figure 1, which adapts the Yiu et al. (2007) typology to the context of FCBGs.

INSERT FIGURE 1 ABOUT HERE

Network form: This form is a linked group of firms that act as a horizontally integrated business group in which the parent firm concentrates in a single industry while the affiliate firms provide resources, intermediate products and related inputs to the parent firm. The network form operates as "a set of legally separate firms with stable relationships that operate in multiple strategically unrelated activities and under common ownership and control" (Cuervo-Cazurra, 2006: 420). The economic controls occur through fixed cost prices determined by the parent firm while legal integration arises through both board interlocks and cross ownership. Kinship relations between the executives and owners are the foundation of the network form and of the strategic alliances between affiliated firms. The *guanxi quiye* form of FCBGs common in Taiwan exemplifies the network form, although this form also appear in discrete industries in the west, such as the fashion industry in Italy (Della Piana, Vecchi & Cacia, 2012).

Club form: The club form is a more densely connected network of firms in which each family member controls a cluster of firms comprised of both a parent and affiliate firms. The clusters are integrated horizontally into large conglomerate business groups that are able to share the costs of common activities, such as marketing, accounting, etc. The kinship ties and norms of seniority among kin ensure strong links and clear hierarchies across clusters. Because of their collective size, club form groups exert both market and political power. Japanese *zaibatsus* of the early twentieth century, and their enduring legacy in contemporary family-controlled Japanese business groups (e.g., Nakamura, 2002), exemplify this form of organization.

Holding form: Holding form business groups are typically composed of a parent holding company that has controlling shares in otherwise independent affiliate corporations. Family owners typically dominate the holding company but are removed from involvement in the operating companies. In so doing, the holding form fuels family control but prevents (ineffective) family leadership. The affiliates act like subsidiaries of the parent, but are less vertically and horizontally integrated with the core business of the parent firm. As a result, the Holding Form tends to be highly diversified, as exemplified by *business houses* such as the Tata Group or other pyramidal enterprises in India.

Multidivisional form: Some FCBGs appear nearly identical to multidivisional corporations, but build connections between organizations through directors or executives that share a family connection. So, for example, FCBGs in the shipping industry tend to mimic most aspects of traditional multinational corporations but, instead of cultivating board interlocks by having the same individual on multiple boards, they use board members who share a familial relationship (Andrikopoulos, Georgakopoulos, Merika & Merikas, 2019). Like the multidivisional corporation, the multidivisional business group forms around a parent company that acts as the headquarters of several distinct business lines, which are populated by affiliate firms that, economically, are vertically integrated with the parent, and socially, cultivate board interlocks based on familial relations (Lester & Canella, 2006). Korean chaebols exemplify this business group form.

While the Yui et al. (2007) typology captures the essential differences between these configurations of business groups and accurately identifies their cultural and geographic variation, they do not explain why these configurations exist. That is they do not elaborate how the differences in cultural context influence or determine the choice of business group form. ***Our thesis is that the different configurations, identified in the Yiu et al (2007) typology, are based on subtle***

***but significant differences in how traditional authority is institutionalized within the family in different country and cultural contexts*.**

In the balance of this paper, we theorize how the observed differences in FCBG types are based on differences in legitimate authority within each of these forms. Variation in authority, in turn, arises from prevailing values in the cultural contexts within which each of these forms predominantly occur. We elaborate our configurational model of family-controlled business groups in the next section.

Authority: Rational-legal vs. Traditional

German sociologist Max Weber identified three types of legitimate authority in social entities – rational-legal, traditional and charismatic[1]. Most organizational research has focused on rational-legal forms of authority, where an individual in an organization gains power, not from their personal attributes, as in charismatic authority, but, rather from a set of formal rules that define the role or office and establish its authority in the legal structure of the organization. Individuals gain access to these roles, not by virtue of their relationships to other high ranking individuals, as in traditional authority, but instead by virtue of their merit or qualifications matched against formal criteria for the position.

Rational-legal authority is most closely associated with bureaucratic forms of organization, which Weber argued was a form of organizing superior to all others because of its machine-like efficiency. The assumed superiority of the bureaucracy, according to Weber, derives from the rigorous and scientific decision-making capacity of the rational-legal form of authority, which survives today in the governance structure of the modern corporation. So confident was Weber in

1 Charismatic authority is a construct that operates more at the individual level and has been typically theorized as a form of individual leadership (Tucker, 1968). As such, it is less relevant for our conversation, which focuses on how different authority structures determine different modes of organizational governance.

the superiority of rational-legal modes of organizational governance that he predicted an inexorable shift, over time, from traditional or charismatic forms of authority to bureaucratic organizations and their more competitively efficient rational-legal governance.

The legitimate form of authority in families, Weber observed, is custom or tradition, as exemplified by the monarchy. The source of traditional authority arises from fealty to the patriarch or clan leader whose authority, in turn, will ultimately be transferred to one of the leaders' children according to long-standing customs of succession. Kinship relations, determined largely by genetic proximity to the monarch, provide the logic for the structure of authority within an organization. Subordinates show fealty to the new leader out of tradition. Historically, traditional authority has been the dominant form of political governance in society and in associated forms of social and economic organization (Beckert, 2018; Bellow, 2004).

The stubborn persistence of family businesses and the international proliferation of FCBGs offer a serious challenge to Weber's assumption that rational-legal authority and the corporate form of organization offer a superior model of economic governance and organization. There is, for example, considerable evidence of a decline in the influence of the publicly traded corporation (Kahle & Stulz, 2017; Davis, 2016; Martin, 2021). The number of publicly traded companies in the US declined by half between 1997 and 2012, the number of initial public offerings (IPOs) declined severely after 2000, and the number of workers employed by large US corporations has fallen dramatically in the last two decades (Davis, 2016). By contrast, recent estimates indicate that family businesses contribute 54% of the private GDP ($7.7 trillion) and employ 59% of the private workforce (83.3 million individuals) in the US (Pieper, Kellermanns, & Astrachan, 2021). Although representative numbers on the total number and impact of FCBGs in and beyond the US are missing, data on the most prominent FCBGs in various countries provide important insights.

For instance, in Europe, the Agnelli's family business group controls 10.4% of the Italian stock market, and the Wallenberg's family business group controls 43% of the Swedish stock market (Agnblad et al., 2001; Claessens, Djankov, & Lang, 2000; La Porta et al., 1999). In Asia, the most prominent 15 families in Hong Kong, Malaysia, Singapore and the Philippines, respectively, hold in their business groups assets worth 84%, 76%, 47%, and 46% of GDP (Claessens et al., 2000; Economist, 2015).[2]

Clearly, Weber's prediction of the inexorable domination of rational-legal authority is not accurate. How do we explain both the persistent strength and geographic variation of FCBGs? According to Guillen (2000), three main theories explain the success and persistence of FCBGs: they succeed where market imperfections occur; in vertical or patrimonial societies; or in highly autocratic states. The problem with each of these theories is that they implicitly assume the inherent superiority of US markets, as represented by multi-national corporations, and suggest that FCBGs only succeed in emerging or centrally planned economies. There is an implicit form of orientalism (Said, 1978) in prevailing assumptions that FCBGs are inferior to western models of organization.

Moreover, the recent success of FCBGs, such as Tata, in expanding their operations to developed economies raise serious questions about the accuracy of these assumptions. And Tata is not an exception. McKinsey estimates that 4,000 new family and founder businesses will reach annual sales of one billion USD between 2015 and 2025. Many of these businesses will be FCBGs from Asia. Not surprisingly, the share of family businesses among the largest global companies is expected to rise from 15% to 40% over the next years (Economist, 2015), providing another

[2] The data support the continued relevance of family businesses and the decline of the public corporation. However, the data do not show that the public corporation is substituted by corporate structured based on traditional authority. Future research will need to determine whether fewer public corporations translate into a higher prevalence of family business structures (based on traditional authority) or more private equity and venture capital organizations (based on hyper legal-rational authority). Despite the decline of the public corporation, we do expect that the Weberian rationale of formal-legal authority will remain prevalent – possibly, though, in different forms than the public corporation (e.g., VCs).

indication of the expected rise of family-controlled businesses groups. Although researchers have paid some attention to the rise of FCBGs in Asia, perhaps more egregiously, existing theoretical models overlook the success and persistence of FCBGs in established economies, such as France, Italy and Scandinavia. Most critically, none of the existing theories can explain the broad variation in types of family-business groups.

We adopt a configurational perspective to offer a more nuanced explanation of the variation and persistence of FCBGs. To do this, we look to different combinations in *social values* across cultures and the degree of fit between given values and different manifestations of traditional authority in families. Accordingly, we must describe our current understanding of global value systems that describe culture and its variation across countries.

Mapping Global Value Systems

As the first human institution (Castells, 1997; Bau & Fernandez, 2021), families are the primary societal unit through which societal values are shared and passed on to new generations. Although families differ in the values they transmit to offspring, sociologists observe that some values permeate particular historical-cultural context of most countries. Understanding families and their pertinent differences across countries therefore necessitate the mapping of stable societal values. In his comprehensive study of global values, Inglehart (2006) observes that national value systems are subject to two dominant historical shifts in social values. The first, triggered by the Industrial Revolution, is the shift from traditional values (religion, respect for authority, etc.) to secular-rational values (science, respect for expertise, etc.). The second, driven by intergenerational and geographical differences in prosperity following the Second World War, is the shift from achieving economic and physical security (i.e., concern with satisfying basic human needs) to the pursuit of self-expression, subjective well-being and quality of life (i.e., concern with satisfying higher order human needs).

Using data from longitudinal global survey research (i.e., the World Values Survey) beginning in 1981, Inglehart observes significant stability in the underlying values and beliefs of countries around the world. Factor analyses of this massive data set validated these two dimensions, which explain 71 percent of the cross-cultural variation in social value dispositions of respondents. When organized in a matrix, with the vertical dimension reflecting the traditional/secular dimension and the horizontal axis representing the survival self-expression dimension, the resultant two-by-two matrix describes four distinct clusters of countries based on differences in shared social values (See Figure 2). As Inglehart (2000: 123) observes the global map reflects both the social, religious and cultural history of each country as distorted by economic development since the Second World War and the residual influence of each countries' political history (i.e., Communism, Socialism, Capitalism, Totalitarianism).

INSERT FIGURE 2 ABOUT HERE

In the following sections, we explain how different assumptions of authority, drawn from prevailing cultural values distinguish family types and help explain variation in FCBGs.

Global Values, Different Family Structures and FCBGs

The Limitations of Common Family Types in Explaining Cross-Country Variation in FCBGs

While we tend to think of family as a genetically determined system of organization, sociologists and anthropologists agree that the extreme variation in family organization suggests that biology and genetics are not determinative in defining family types. Anthropologists, in particular, have devoted considerable effort to constructing typologies and taxonomies that capture the variation in family organization. Apart from some notable exceptions (see Boisot & Child, 1996; Fukayama, 2014; Jaskiewicz, Combs, Shanine & Kacmar, 2016) few management scholars have incorporated anthropological and sociological research on family types into their theorization of family business and FCBGs. A variety of factors have been used to establish the critical dimensions of family types including the lineage system, rules of inheritance, living arrangements and authority structures. Lineage systems draw on a variety of family-based factors, which might explain their prominence. At least four major types of families have been identified (Segalen, 1978; Parkin, 1997; Parkin & Stone, 2004)

Segmentary lineage families are descent groups divided into generational segments each of which, itself, is a descent group (Smith, 1956). The lineage can be patrilineal (most common) or matrilineal. They also vary by the type of possible marriage, i.e. monogamous or polygamous (Levine, 2008). Segmentary lineage families can be relatively small or very large, encompassing an entire society, depending on the combination of marriage and descent rules (Sahlins, 1961).

Clan lineage families are a unilineal descent group, similar to segmentary lineage families, but one in which members do not necessarily trace their genealogy to a founding ancestor. Rather, the authority in the group is derived from a father or mother. Clans also identify lineage to mythical ancestors, including animals that occupy a sacred status with the group. They may be nested into larger clans, similar to segmentary families, in larger groupings termed the phratry, which is, itself, a type of clan.

House societies are family structures based primarily on living arrangements rather than descent lines. Claude Lévi-Strauss (1987) first identified house societies as a distinct category of family structure. He observed that, while some members may be related, genealogy is not a determinative factor. Rather, membership arises from a number of factors including marriage patterns, exchange relations, co-residence and shared labor. Because house societies display simultaneous patrimonial and matrimonial elements of lineage, Lévi-Strauss referred to this family structure as a form of “corporate” kinship (Gonzáles-Rubal, 2006).

Grand Families are forms of extended family structures that were first identified in China but also appear in parts of India where they are sometimes referred to as "joint families" (Lang, 1946). These are large, multi-generational families living in a common household. They are typically patrilineal, but not necessarily so. Authority structures can be quite fluid, consistent with Confucian philosophy, where patriarchs and matriarchs cede authority as they age. Similarly, inheritance rules are particularly rigid and may be determined by need, expertise or related contingencies. Grand-family structures are common in Mexico (Lomnitz, 2013), Korea and parts of China (Ebrey, 2003; Smith, 1992), and in several North American Indigenous communities (Cross & Day, 2008).

Although these types of family structures seem to be quite stable over time, the typology suffers from two important weaknesses. First, the critical dimensions or factors that define each type are not consistent across the four types. This issue arises, in part, because the factors are empirically rather than theoretically determined. For example, genealogy defines some but not all types. Second, there is substantial overlap between some types. For example, one can recognize elements of clan structure in each of the other family types. This issue is likely a consequence of the first concern – i.e. that the types are empirically derived and thus lack the abstract precision of ideal types, which are informed by empirics but based on dimensions that are theoretically derived.

A Family Typology that Explains Cross-Country Variation in FCBGs

Fortunately, Emmanuel Todd (1985) has created a typology based on anthropological and sociological data that overcomes the limitations of prior typologies by using two theoretical dimensions that capture much of the prior empirical research on families. These dimensions draw from the two core social values of the French revolution; *liberté* and *égalité* (LePlay, 1895). Liberty refers to the degree of autonomy given by parents to children. If children continue to live under one roof with their parents, even after getting married, their liberty is constrained. Arranged marriages, marriages of strategic convenience or with economic ends in mind also indicate a lack of liberty in family structure. Equality is determined by the treatment of children by their parents. In the case of *primo geniture* (i.e., the eldest son becomes the designated successor at birth), the family is unequal. To provide another example, if all children in a family tend to receive equal distributions of parental wealth, the family structure is relatively equal. If, however, inheritance rules concentrate parental wealth in a single child, the family structure is not egalitarian.

When set in contrast to each other, liberty and equality describe a typology of four types of family (See Figure 3, adapted from Gutmann & Voigt, 2020): authoritarian family, absolute nuclear family, egalitarian nuclear family, and community family. Todd (1985), however, separated the community family type into two distinct categories based on whether they allow intermarriage within the family (endogamous) or prohibited the practice (exogamous). Todd (1985) also observed that these family types tend to occur in distinct geographic clusters, consistent with Inglehart's (1988, 1990) observation about the geographical stickiness of social value clusters. We briefly elaborate each of these family types and extend Todd's typology by describing how each one reflects a unique combination and emphasis of rational-legal and traditional modes of authority.

INSERT FIGURE 3 ABOUT HERE

Absolute Nuclear Family: The absolute nuclear family is a family group consisting of a man and a woman and their dependant children. The degree of liberty in the absolute nuclear family is high. Children have considerable autonomy and choice in whom they marry and, when they do, they do not cohabit with their parents. The degree of equality, however, is relatively low. Nuclear families divide property differentially depending on gender and/or birth order, typically. This type of family is the dominant social unit in the US, UK, Canada, and Australia.

It is unsurprising that countries in which the absolute nuclear family is most prevalent are also contexts in which the corporate form is the dominant institution for organizing economic activity among larger organizations. While these countries are highly supportive of progressive values of self-expression, their adoption of secular-rational values is moderated by a preference for more traditional assumptions of social hierarchy within the family that result in the unequal treatment of children with respect to the division of labour in the household across genders and division of property upon parents' death.

Egalitarian Nuclear Family: This type of family shares the attributes of liberty with the absolute nuclear family described above. However, they are more equitable in their treatment of children, particularly with respect to the division of property on death and the division of labor across genders. This type of family is the dominant social unit in Spain, Brazil, Poland, and parts of France. The egalitarian nuclear family is perhaps the ultimate expression of rational-legal authority combined with self-expression values. In combination, these dimensions describe organizational corporate form that is market-focused in logic, but communitarian in ethos, thus never quite achieves the hierarchical structure of the prototypical modern corporation.

Authoritarian Family: This family structure is low on the liberty dimension. Married heirs tend to cohabit with or next to parents, and parents may exercise considerable control in the selection of children's spouses. Authoritarian families are also low on the equality dimension. Family property is distributed unequally as are work responsibilities in the household and the business. This type of family structure is most common to Japan, Germany, South Korea, Norway and Ireland. Importantly, although many of these countries now share more egalitarian and liberal values, the authoritarian family still prevails and trumps such societal values (Duranton, Rodríguez-Pose, & Sandall, 2009).

Endogamous Community Family: This family unit is characterized by high equality and low liberty. Married heirs tend to cohabit with parents and parents exercise high control over the selection of spouses for their children. Marriage within the family (i.e. between cousins) is acceptable. However, property is inherited equally and family roles are shared based on expertise rather than family position. This family structure is most common in Pakistan, India and Northern Africa (Rijpma, & Carmichael, 2016; Todd, 1985).

Exogamous Community Family: This family unit is high in equality but only moderate in terms of liberty. Married children will typically cohabit with parents, but marriage within the family is not appropriate. Property is distributed equitably, and work is based on capabilities rather than gender or birth order. The resultant family structure tends toward large, extended families. This structure is most common in China, Mongolia and Russia (Duranton et al., 2009).

Family Types and FCBGs: Filling in the Missing Links

Our core thesis is that variation in the authority structure of the family is a major determinant of the prevailing form of FCBG in a society. The family types are defined by the authority structure of the family that, in turn, is founded on historically determined and deeply embedded beliefs and values of that culture that are taken-for-granted and extremely stable over time. Todd (1990) argues that, as an institution, family types are more stable than other institutional structures and suggests that while changes in economic institutions can occur within 50 years, changes in educational institutions take 500 years, and significant changes in family structures may take as much as 5,000 years.

Family types, thus, serve as a useful proxy for constellations of relatively permanent societal values. Because the family serves as the first experience individuals have with a social structure, they tend to serve as a template, or a micro-foundation of other, more complex social structures in society that become internalized in youth and reproduced in large social structures as adults. Considerable empirical research supports the argument that family types are an important determinant of other institutional structures in a society including political ideology (Reher, 1998), legal structure (Licht et al, 2007; Berggren & Bjørnskov, 2011; Gutmann & Voigt, 2018), and the character of civil society and social development (Guttman & Voigt, 2021). We extend this line of reasoning in this chapter to argue and demonstrate that family types also exhibit profound influence over the dominant form of organizing economic production in a given society. Our summary theoretical model is presented in Figure 4.

INSERT FIGURE 4 ABOUT HERE

A cursory examination of Inglehart and Welzel's (2005) map of global values suggests that not only do the quadrants reflect distinct clusters of global social values, they also offer *prima facie* evidence in support of our core thesis. First, the US, UK and Canada tend to cluster quite closely together in the upper right corner of the lower right quadrant, which is defined as being high in self-expression, but on the border between low and high in terms of traditional and secular rational values. In line with this observation, the absolute nuclear family predominates (Duranton et al., 2009; Rijpma, & Carmichael, 2016). Because of the small size of this type of family coupled with the weak authority of parents over their adult children, families lack the size and transgenerational authority to control FCBGs. Moreover, there might be little need for developing FCBGs in the first place. Due to high trust in strangers and the efficacy of formal institutions (such as the legal system), family members do not need to rely on a limited number of kin (Jaskiewicz et al., 2021). Instead, they often sell their family business when approaching retirement, which helps to explain the prevalence of the widely-held corporate form of organization in these countries.

More interesting, perhaps, is that each of the four family types tends to be prominent in the countries clustered in one of the four quadrants of Inglehart and Wetzel's two-by–two of global value systems. We theorize that the predominant family type helps explain the prevalence of particular FCBG types in countries. This is because family characteristics such as parental authority and family-based human capital, are manifest differently in different cultural settings. And parental authority over the next generation (Jaskiewicz et al., 2016) is, we suggest, often necessary to start, build, and control a large FCBG over time. Moreover, the size of the family and the scope of family-based human capital inherent in the family is essential to understand the predominance of particular types of FCBGs (Sirmon & Hitt, 2003). Thus, culturally-situated family characteristics represent necessary (though not sufficient) conditions for the formation of successful FCBGs.

To being with, Russia, China and Taiwan reflect the intersection of secular-rational values and survival values. In these countries, the exogamous community family type tends to predominate. Characterized by the equal treatment of sons (e.g., co-parcenary in China [Chau, 1991]) and parental authority over adult children (who stay in their parents home after marriage), the exogamous community type offers the opportunity to integrate new human capital into the family (through marriage) and retain control of the growing family (Rijpma, & Carmichael, 2016). The ability to grow and maintain control of family members helps explain why this family type is consistent with the empirical observations about where N-form FCBGs are most likely to thrive (Yui et al., 2007). The N-form requires trust and control among a significant group of family members; each leads another business within the FCBG. The exogamous community family type enables extended families coupled with traditional and transgenerational authority structures.

Next, we note that cultural regions like Pakistan, parts of India, and Northern Africa reflect the intersection of traditional and survival values. In these countries, the community family type predominates (Rijpma, & Carmichael, 2016; Todd, 1985). This type combines the parental authority of adult children with equal treatment of male sons. However, these countries' high traditional values and inherent distrust in strangers help explain why the community family is endogamous. In endogamous families, it is accepted, and in some cases even encouraged, that cousins marry. These families can strengthen their inter-family ties through cousin marriage but fail to rejuvenate and grow with talented in-laws outside the family. Taken together, the endogamous community offers stable family size and transgenerational control of family members, which is consistent with empirical observations as to where H-form business groups are likely to prosper (Yui et al., 2007). The H-form commonly involves some family members in an umbrella holding company but does not require additional family members in the various affiliated operating companies. The limitations of the endogamous family in terms of their size might help explain why H-form FCBGs predominates.

The combination of secular-rational and self-expression values is common in Germany, Japan, Norway and South Korea. In these countries, the authoritarian family type predominates (Duranton et al., 2009; Rijpma, & Carmichael, 2016; Todd, 1995). Characterized by the low equality of siblings as evidenced by the common preference of the eldest son (primogeniture) for the future leadership of the family and the inheritance of the business (Beckert, 2018), this family type results in small extended or core families. The limited family size results from parents encouraging the eldest sons' siblings to leave home as adults. In contrast, the eldest son has little choice but to stay in his parents' house, accepting to subordinate himself to parental authority and become the designated successor. Because this type of family comes with limited family size coupled with parental control of the designated successors, it is not surprising that the H-form FCBG is prevalent.

Finally, Spain, Brazil, Poland and most of France tend to be at the intersection of modest traditional and modest self-expression values. In these countries, the equal treatment of children is coupled with adult children's ability to choose their level of engagement with the family predominates (Duranton et al., 2009; Rijpma, & Carmichael, 2016; Todd, 1985). Although children usually leave the parental household upon marriage, they often stay nearby and connected with them. Moreover, parents' equal treatment of children sets the foundation for stronger intra-generational ties. The outcome of this family type is the parents' ability to grow the family's size and influence their adult children and their families. In line with these family characteristics, the M-form FCBG is common (Yui et al., 2007). This form requires family members occupying interlocking board positions in vertically integrated companies within the FCBG. Because members of egalitarian nuclear families tend to live close to each other and the M-form has headquarters from which family members need to control all integrated companies, it appears logical that this family type is commonly associated with this type of FCBG.

Moderators of the Family Type-FCBG Type Relationship within Countries

Although some family types (e.g., endogamous community) seem prototypical for a particular FCBG type (e.g., H-form), we note that other family types (e.g., egalitarian nuclear) can differ in their association with types of FCBGs (e.g., H- or M-form [Yui et al., 2007]). Fortunately, we are not the first to try to explain the ubiquity and variety in FCBGs around the globe. Randall Morck and his co-authors suggest that accidents of history, institutional changes, and the prevalence of institutional voids are key explanatory factors of variation in FCBGs within a country and over time (Dau, Morck, & Yeung, 2021; Morck, 2007). The historical accounts presented by these researchers, for instance, suggest that changes in the institutional environments, such as the decision to levy taxes on dividend payments to holding companies in the US, or the regulatory dismantling of family zaibatsu in Japan, explain shifts in FCBG prevalence or type (while culture remained constant) while also explaining oddities, such as the persistence of FCBGs in Sweden. Beyond these institutional characteristics (i.e., voids) and institutional shifts (i.e., legal changes [see also Carney & Gedajlovic, 2002]), , we offer four complementary observations that might be particularly useful to help explain why in a given country, some families are associated with one type and others with a different kind of FCBG.

Regional disparities. Regions within countries can vary enormously in their history, culture, religion, language and even their writing systems and prevailing laws. Not surprisingly, family types also differ across regions. Prominent examples include Italy or France. For instance, in Northern Italy, the community family is most common, whereas in Southern Italy, the egalitarian nuclear family historically predominates. The egalitarian nuclear family is also typical in large parts of France except for the Bretagne region. Due to this region's geographic proximity to the UK and past political rule by the English, the absolute nuclear family still prevails in that region of France (Duranton et al., 2009; Rijpma, & Carmichael, 2016; Todd, 1995). Even in a predominantly patriarchal country such as India, large pockets of matriarchy exist (Jeffrey, 2016).

Family resources. Families are embedded in the socio-cultural and historical context of their region and country, explaining their commonalities. However, families are equipped with differing bundles of financial and socioemotional resources that vary in terms of family and business development over time (Carney, 2005; Chua, Chrisman, Steier, & Rau, 2012; Habbershon & Williams, 1999; Sirmon & Hitt, 2003). Because of comparatively better education, social capital, and family leadership (Arregle et al., 2007; Carney, 2005; Zahra, 2010), for instance, some families will thrive across generations, and with their businesses, whereas others won't. Finally, families are not immune to disaster that often deplete available family resources quickly. Armed conflicts, tragic accidents, and debilitating health issues, among others, have brought many family and business legacies to an abrupt end (Bellow, 2004).

Family dynamics. Finally, families have agency that appears most pertinent and relevant in terms of the interactions among adult family members and the upbringing of the next generation. Concerning the former, healthy interactions involve reciprocal behaviors reflecting generalized social exchanges, whereas asymmetrical altruism (i.e., unconditional support of members who do not return favors [Lubatkin, Schulze, Ling, & Dino, 2005; Schulze, Lubatkin, & Dino, 2002]) and entitlement stifling intrinsic motivation (e.g., Jaskiewicz et al., 2013; see also rotten kid syndrome, de Vries, 1993) are reflective of unhealthy interactions that can result in family businesses becoming unsustainable 'welfare hotels' for entitled members (Portes, 1998, p.18). Concerning the upbringing of the next generation, demanding and emphatic parenting coupled with bi-directional communication are ingredients that, in the developed countries of the West, may help to imprint pertinent family values on the next generation and nurture functional and reciprocal transgenerational relationships over time (Jaskiewicz et al., 2016; Silverstein & Bengtson, 1997). However, in any country, families can suffer from unhealthy intra-generational (e.g., sibling rivalry, divorce) and inter-generational dynamics (e.g., parent-child conflicts) or both (e.g., abuse, disengagement), limiting the potential and sustainability of both families and their businesses. We believe that these three moderators – regional disparities, family resources, and family dynamics – can help explain variation in the family type-FCBG type relationship within countries. Moreover, we believe that two future trends will further enhance such variation.

Family migration. Beyond micro-level differences among families due to their unique family dynamics, we note that structural differences among families persist in many societies due to migration. In many societies with traditional authority structures, the correspondence between the prevalent national family type and the business group organization may be neither exhaustive nor common due to inbound migration and the emergence of powerful diaspora communities whose business group organizations emulate the structures of FCBGs that they have become familiar with in their country of origins. We expect the effect of family migration to be particularly pervasive in traditional-authority societies that lack a functioning capitalist class and have historically relied upon ‘foreigners’ to perform business functions. Examples of such powerful diaspora communities include Jewish families in Russia and Eastern Europe, the Chinese in Southeast Asia, European colonials in Africa, Gujarati Indians in East Africa, and Lebanese/Syrians in West Africa (see also Landa, 1994). In addition to setting up FCBGs that resemble those from their country of origin, minority groups sometimes also set up completely different FCBG structures to hide their wealth. Especially in postcolonial states, where politically dominant and majority indigenous communities have clashed with post-colonial minority entrepreneurs, the latter often responded by disguising their assets in low-profile business groups (e.g., McVey, 2018), providing another important rational for the heterogeneity of FCBGs within a country.

Family Types and Business Group Structures: Future Trends

While family types change very slowly, they do still change, largely in response to historically significant shifts in dominant value systems. Inglehart (1990) observes that the Industrial Revolution triggered a slow but clear shift from traditional to secular rational values that has influenced much of what we now term the industrialized west. A second significant shift, which continues to evolve in some parts of the world, is the shift from survival to self-expression values. While the family, as an institution, has proven to be very resistant to these changes, they are not immune, and we are beginning to observe growing and important changes in some parts of the world that hold powerful implications for the comparative prevalence of different family types and their FCBGs. Future trends that foster differential shifts around the world in the prevalence of family types include a declining propensity to marry, increasing divorce rates and changes in birth rates and overall population growth (Aldrich & Cliff, 2003; Jaskiewicz & Dyer, 2017; Jaskiewicz et al., 2021; OECD, 2011).

Unsurprisingly, such changes are occurring in qualitatively different ways and at different paces across the globe. So, for example, some parts of the world are experiencing massive population growth while other population sizes are rapidly decreasing. Based on such differential trends, we can make some rough predictions about the future prevalence of FCBGs across countries. We organize these predictions around two basic "effects": (1) The vanishing corporation and (2) The traditionalism effect. The former effect helps explain the expected rise in the prevalence of FCBGs outside of Anglo-American countries, whereas the latter effect suggests that existing types of FCBGs are not necessarily exhaustive and more intra-country variation in terms of FCBG types can be expected.

The Vanishing Corporation*:* Despite the prominent attention given to the publicly traded company by the business media, management education and popular culture, the publicly traded corporation is rapidly becoming an endangered species. The number of publicly traded American companies listed on the US stock exchange decreased by half between 1996 and 2012 (Davis, 2016). During that same period, the number of companies backed by private equity doubled (Stultz, 2020).

FCBGs, by contrast, are the dominant form of large-scale organization globally (Carney & Gedajlovic, 2002; Yui et al., 2007). As noted previously, FCBGs have a particularly significant and growing presence in Asia where, in some countries, 15 families control nearly two-thirds of the publicly traded corporations (Claessens et al., 2000; Mackie, 1992) and, if present growth trends continue, FCBGs will constitute 40% of the largest for-profit entities in the world. Perhaps the biggest indication of relative success of FCBGs over the traditional publicly traded corporation is the growing trend of acquisitions of the latter by the former (The Economist, 2015). We described the somewhat surprisingly aggressive acquisitions by the Tata family group in both the

UK and the US, but there are other equally prominent indicia of the emerging exercise of financial muscularity by other FCBGs in the US, UK and Canada. For instance, NewsCorp, controlled by Rupert Murdoch and two of his sons, has been on an M&A spree for the last two decades – acquiring numerous newspapers, TV stations, and media companies in the US, UK, Canada, and Australia – among others.

Based on the arguments presented in this chapter, the relative growth of FCBGs of the US, Canada and the UK is not surprising. Rather, it is a reflection of two factors. First, the growth of FCGB power is the result of the configurational fit between the dominance of traditional authority in Asia, South America and much of Europe, as opposed to the configurational fit between rational-legal authority and the absolute nuclear family in the US, UK and Canada. Second, and perhaps as importantly, the growth trend in FCBGs is fueled by the incredible population growth in those parts of the world where they originated and the reciprocal decline in population in the US, UK and Canada (when excluding immigration). This trend, too, is underpinned by key differences in family types. Despite the variations in how traditional authority is expressed in different countries, the eminence of the family as the primary unit of social organization in those countries determines not only the primary organizational form, but also encourages the replication and growth of the family unit. That is, traditional authority encourages population growth. The rational-legal authority of the absolute nuclear family, however, does not.

Based on the statistics cited above and our core thesis that the family type determines the dominant organizational form of economic production in a society, we predict that FCBGs will continue to dominate much of the world and will eventually supplant the publicly traded corporation as the primary means of organizing in Europe, Asia, Latin America, and Northern Africa. We would expect that the holding type will predominate whenever core families, limited in size, prevail. Conversely, the club and multidivisional type of FCBGs will dominate where extended families prevail. Finally, the network type of FCBGs will predominate where family networks prevail. Our prediction thus not only highlights the expected growth of FCBGs globally but also distinguishes which type of FCBG is likely to dominate which part of the world – based on the unique combination of permanent social values, dominant authority structures and prevalent family types. Although it would appear that the widely-held corporation remains the dominant form while business groups remain scarce in the US, UK, and Canada, there is one exception to this prediction, which we outline in the following section.

The Traditionalism Effect

Within certain regions of the US and Canada, traditional forms of family authority still prevail. Consider, for example, the Hutterites in North America. Similar to the Amish and Mennonites, Hutterites are Anabaptists who escaped religious persecution in Europe in the latter part of the nineteenth century. In North America, the Hutterites settled primarily in the west and maintained their language and their religious traditions, most visibly their commitment to communal living. The three original colonies, first settled in 1874 in what was then called the Dakota Territory, by 2019 consisted of five hundred colonies spread over five states and four Canadian provinces.

Hutterite colonies consist of roughly fifteen to twenty families who live communally in multi-family houses and share all property. Once a colony grows to 150 people, the colony will split and half will leave to form a new colony, a process termed "hiving". This form of family organization, which most closely approximates a clan structure, is highly dependent upon traditions that reinforce traditional authority. Indeed, the colony structure likely exemplifies Weber's concept of traditional authority.

In contrast to the Amish, however, Hutterites embrace technology and their colony structure has transformed the community to become one of the most dominant sources of agricultural production in the states and provinces in which they operate. In Alberta, Hutterite colonies:

> "own about 4 percent of Alberta's farmland but produce 80 percent of the province's eggs, 33 percent of its hogs, and more than 10 percent of its milk. This productivity is based on the Brethren's ability to deploy their relatively large labor force to carry out diversified mixed farming. Their willingness to embrace modern science and technology is matched by the links they have been able to establish with marketing chains in agribusiness" (Evans, 2019: 656).

In Montana, a neighbour state to Alberta, Hutterite communities produced approximately 18 percent of the state's poultry, over 30 percent of the state's dairy, over ninety percent of the hogs and nearly 100 percent of the state's eggs (Haynes & Schumacher, 2019).

Hutterite colonies offer a somewhat unusual example of a FCBG. While the colonies are organized legally as corporations, which pay taxes, they organize work more as a family than a corporation and offer services (educational, health, etc.) that appear more like a religious society than a traditional corporation (Nordstrom & Jennings, 2018). Still, they are powerful economic actors in the regions that they occupy and, like their FCBG counterparts, are growing both in population and economic scope, much more rapidly than their local competitors.

Other segments of the US, Canada and the UK also document a traditionalism effect that nurtures traditional authority in families and their businesses. So, for example, religiously-defined cultural regions such as the Evangelical Protestant American South or the Latter-day Saint American Mountain West point to the stability and resurgence of traditional authority in Anglo-American societies. It remains to be seen whether such traditionalist movements and the resilience of traditional and charismatic authority in modern societies will fuel the creation of a new type of FCBG characterized by the adaptive capacity to establish legitimacy within the prevailing hostile institutional conditions, and to what extent this type will be able to supplant other types of economic organization.

Conclusion

Max Weber assumed that the bureaucracy was an inherently superior form of organizing human productivity because of the efficiency derived from using rational-legal authority in decision-making. Western management scholarship, following Weber, have applied this logic to the modern manifestation of Weberian bureaucracy, the modern publicly traded corporation. A growing body of research, however, raises questions about the accuracy of this assumption. Business groups, most of which are founded on some form of family structure, have a stronger global presence than the publicly traded corporation, and are growing both in number and assets, while the publicly traded corporation is receding in frequency and diminishing in power.

In this chapter, we explain both the prevalence of family-controlled business groups based on the foundational idea that the bureaucratic form is not universally superior to other forms of organization. Rather, the corporation succeeds only when there is a degree of fit or congruence between its rational-legal form of authority and the prevailing value system of the country in which the corporation originates. The family is an equally powerful and stubbornly persistent institution that also offers an effective model for organizing human productivity. Our model is not premised on efficiency nor is it based on rational-legal assumptions of legitimate authority. Instead, it is relies on traditional authority common to families in all societies.

Not all families are the same, however. Families vary by the degree to which they grant autonomy to their members and the degree to which they share wealth equally amongst their children (Beckert, 2018; Todd, 1985). We use this logic to construct a schema of family types that vary by the degree to which traditional authority is moderated by the integration of select aspects of rational-legal authority. We use the typology derived from these dimensions to explain the variation observed by researchers in FCBGs around the world. While family structures are surprisingly resilient, families do change, largely as a result of slow but inexorable changes in the value systems of the societies in which they exist. Moreover, families differ within their country due to regional differences, variation in family's stock of financial and socioemotional resources, and pertinent differences in family dynamics. We have drawn from sociological research to offer some projections on the future of FCBGs within and across countries, suggesting that the expected growth of various types of FCBGs will be inextricably tied to the prevalence of particular types of family as well as their pertinent differences within the socio-historical context in which they are embedded.

The underlying premise of our chapter – i.e. that authority relations between parents and children provide a template for larger forms of social organization, including economic organizational structures – can explain other variation across FCBGs. For example, we know that business groups engage in unrelated diversification, a practice that is clearly inefficient for corporations (Yui et al., 2007). We also know that business groups vary in how they pursue diversification: organically through Greenfield investment; by portfolio, or acquisitions of existing unrelated companies; and by policy induction, or in response to incentives provided by government.

These variations in diversification, we believe can also be explained by the type of family behind the FCBG. Organic diversification is most consistent with the Authoritarian (clan) form of family, which is more distrustful of outside groups, particular those with coercive authority, and which values independence and autonomy more than other family structures. Portfolio forms of diversification are much more consistent with Community (segmented) family structures that promote equality amongst siblings, but can use the inter-relations between corporate structures to mirror different forms of corporate control. Thus, we might expect the Endogamous Community Family, in which parents exert high degrees of control over children, to lean toward horizontal integration and the Exogamous Community Family, which prefers moderate forms of parental control, to adopt vertical integration in their corporate structure. Finally, policy induced forms of diversification, in which business groups and state governments collaborate to encourage domestic ownership of critical elements of the economy, seem to correspond to the values of the Absolute Nuclear Family, which is the family structure that most fully integrates traditional and rational-legal authority structures.

The growth, persistent success, and bewildering variation of FCBGs has taken many Western management and finance scholars by surprise. Their existence seems irreconcilable with the superiority of rational-legal authority as reflected by the modern corporation and contemporary financial markets. As such, FCBGs represent an organizational form that defies both Weber's (2013) assumption of the superiority of the rational-legal bureaucracy and Williamson's (1975) assumption that hierarchies (organizations) emerge only to correct flaws in rationally efficient markets. Our paper offers an alternative explanation based on configurational fit. While the publicly traded corporation may well fit with North American cultural assumptions of legal-rational authority, FCBGs appear to be a good fit with non-North American cultural assumptions of traditional authority. Our chapter proposes that the family, as a social institution, can be an equally powerful and extremely resilient way of organizing economic activity. We clearly need much more empirical work to more accurately capture the nuanced variation in the relationship between different types of family authority structures and how they manifest in different organizational forms. In this context, we call for future research to study FCBGs in different parts of the world and delineate precisely how family members are involved in the ownership, leadership and control of different types of FCBGs. Although our typology of FCBGs assumes family ownership and control, we have not considered possible interdependencies between family involvement in ownership, management and board structures of FCBGs.

Another promising area for future research refers to studying the role of global management consultants. Traditional societies undergoing rapid capital accumulation in the hands of business families have attracted the attention of professional service firms in the West. These firms are increasingly targeted by family management consultants touting new management and financial practices through family offices, letterbox companies, and complex structures in tax havens to rationalize the continued allocation of resources in FCBGs. Arguably, these consultancies represent 'world society forces' that diffuse professional and technical rationality into the core of FCBGs. Sociologists (e.g., Zucker, 1986) argue that highly personalized authoritarian control relies on familiarity and proximity. To grow FCBGs that can scale into international markets, they must rely upon various structures and processes of formal-legal authority. Does reliance on international consultancies that disperse peculiar structures and processes lead to isomorphism among the largest FCBGs across diverse countries? While this is an empirical question that future research needs to answer, we believe that multinational global FCBGs, such as Tata or Samsung, likely combine various elements of global rational-legal and national traditional authority.

We hope that this chapter offers a modest step towards explaining the rapid growth and success of FCBGs as well as their variation in form. Once the core relationship is elaborated empirically, we expect that western management and finance scholars may be less surprised by the persistence and ubiquity of this fascinating organizational form.

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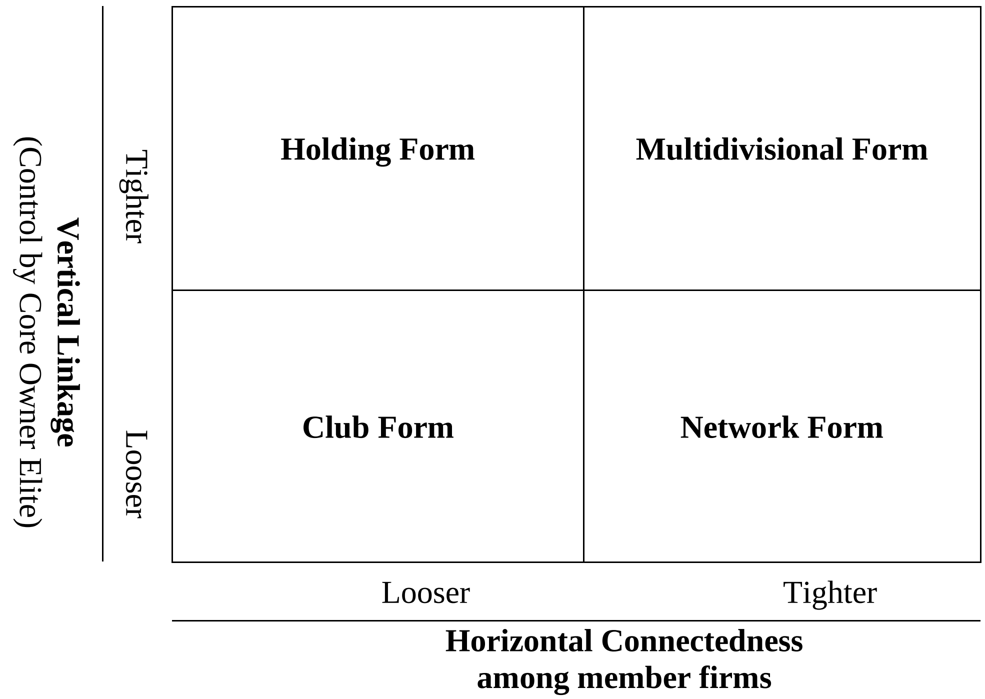
Figure 1: A Typology of Business Group Structural Configurations



Based on: Yiu, Lu, Burton & Hoskisson (2007).

Figure 2: Cultural Map of the World in 2000 (Inglehart, 2000: 122)

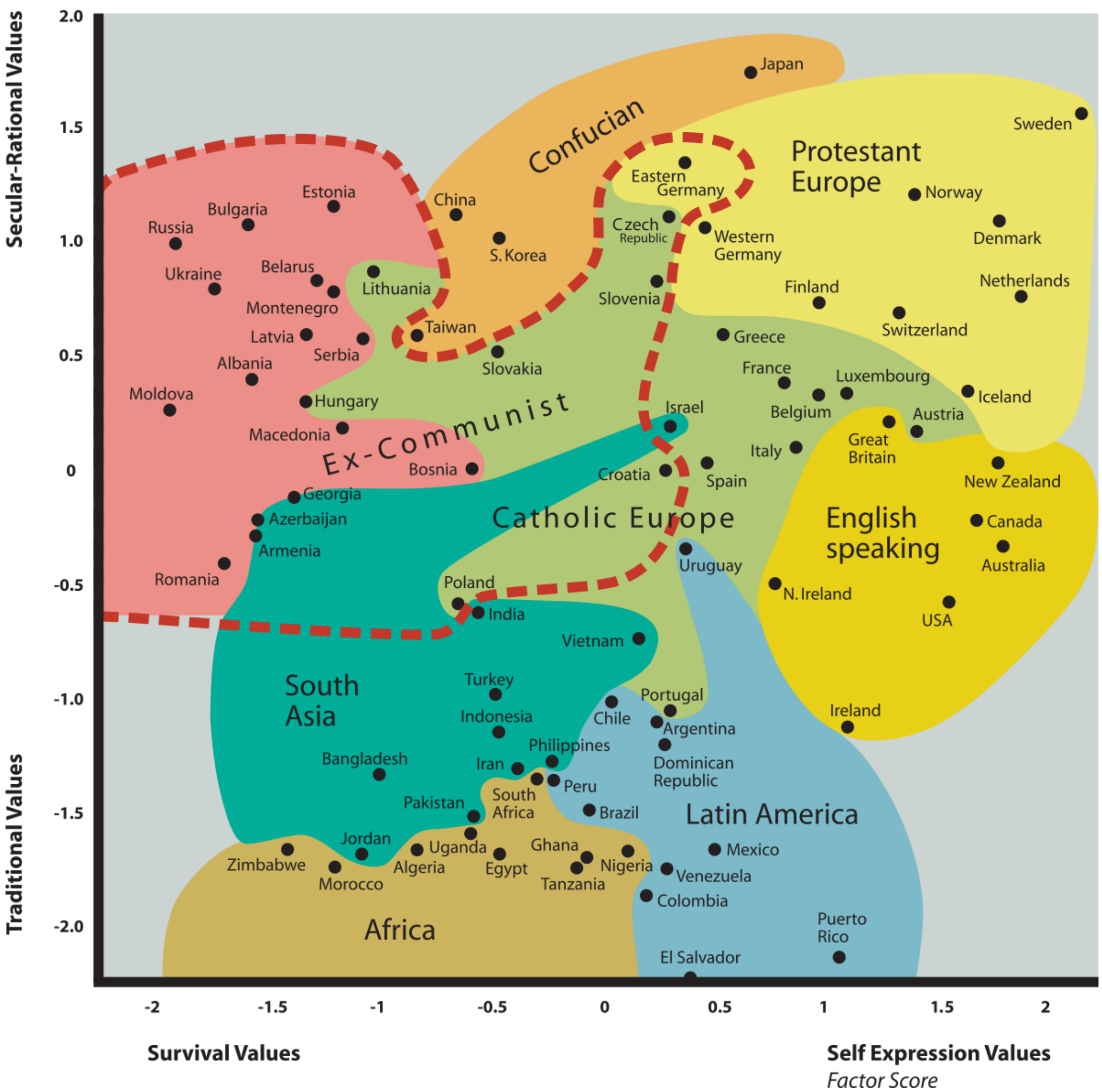


Figure 3: Schematic Representation of Todd's (1985) Family Types

		Liberty		
Equality		***Low:*** *Married son stays with parents*		***High:*** *Married son moves out*
	Low *: Unequal treatment of brothers*	Authoritarian (e.g. Norway, Sweden, Germany, Ireland)		Absolute nuclear (e.g. UK, Canada, USA)
	High: *Equal Treatment of Brothers*	Endogamous community (e.g. India, Pakistan, Morocco)	Exogamous community (e.g. Russia, Mongolia, China)	Egalitarian nuclear (e.g. Spain, Italy, Poland)

Based on: Gutmann & Voigt (2021: 2).

Figure 4: Comprehensive Summary Diagram