“Family businesses in Latin America continue to be the backbone of all the economies in the region, driving at least two-thirds of private sector activity.”

Beatriz Boza
EY Latin America Family Business Leader
Family businesses in Latin America continue to be the backbone of all the economies in the region, driving at least two-thirds of private sector activity. Companies such as Recamier in Colombia and Grupo Ultra in Brazil – both featured in the yearbook – are role models for the region’s family businesses, as well as for the whole corporate sector. Latin American countries can often see economic growth vary dramatically from year to year as they make the transition from developing to fully developed economies. With their emphasis on long-term goals rather than short-term profit, family businesses are more resilient and better able to absorb downturns and resist laying off workers when times are tough. That helps provide stability in countries where economic growth can sometimes be volatile.

Although companies such as Recamier and Grupo Ultra exemplify sound corporate and family governance, many family businesses in the region still have some way to go to match their high standards. Of course, sometimes that is not a problem, as family businesses can thrive and innovate without formal governance structures, but better governance often serves to improve performance. And this is one area that definitely needs more attention. Family businesses have a distinct entrepreneurial spirit – it is in their blood. But combining that spirit with more effective governance is still a challenge for many of them.

Few of the region’s family businesses have succession plans. And when they do, they typically rely on the old-fashioned approach of passing the business on to the eldest son. But that is changing. I see more women taking on senior board roles in the Latin American corporate sector. And that is being noted by family businesses, which are also making changes. The role of non-family C-level executives in family businesses in the region is still in its infancy, and reform is needed here. For example, when it comes to bringing non-family members into senior positions, some less-developed family businesses might have an attitude that they cannot be paid more than family members. If Latin American family businesses are to prosper in the years ahead, they will need to abandon that approach and start trusting outsiders to guide them and even to manage their businesses outright.

The entire corporate sector in the region is concerned about external changes, such as the new President in the US, Brexit, climate change and the slowdown of economic growth in China. Like any business, family businesses prefer certainty, and these developments have not helped to foster this on a global level. Companies that are dependent on export markets are particularly worried.

But sometimes, these uncertainties can lead to greater innovation and entrepreneurship. For example, a company such as Recamier in Colombia has always been able to turn adversity into success. And many of the region’s family businesses show that same mentality, which is part of their winning formula. It means that they will continue to flourish, whatever headwinds they experience in the future.