EXPLORING FAMILY-OWNED BUSINESSES IN THE STATE OF HIDALGO, MEXICO

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Abstract

The starting point of this research focuses on a sample of family-owned businesses in the state of Hidalgo, Mexico. We present the preliminary results of the research project entitled "Management of Governance in Family-Owned Business", in which a survey was applied to 167 firms in the state of Hidalgo. The research has a descriptive and exploratory nature and aims to obtain a general assessment of the reality of these companies, in order to get a diagnosis of these firms and provide a set of future research questions. The research took into account various aspects, e.g., a) Form and activity of the company, b) Management of the company, c) Current property, d) Incorporation of the company family, e) Management board, f) Family council, g) Family heritage business assets, h) Succession i) Transfer of ownership of the company, and j) Protocol family. The main findings are the poor presence of governance structures in family business, and the lack of planning for the continuity of such businesses.

Keywords: Family business, diagnosis, governance structures

Introduction

Research on family business (FB) has drawn significant attention in recent years, due to the large proportion of companies in the world. Although many of them are small business, big corporations are also included. According to Aronoff, Astrachan and Ward (1996), one-third of the Fortune 500 businesses are owned by families.

In developed countries, it was estimated that between 65% to 85% of businesses are owned by families. However, in the United States, they represent 85%, in Austria 83%, in Germany 82%, in Belgium 69%, and in Finland 63% (Bigné, 1999). Furthermore, it was estimated that in Latin America, approximately 90 to 95% of the businesses are family-owned (Belausteguigoitia, 2012). Mexico is the second country in Latin America with the highest number of family-owned businesses, with a percentage of 95% (López, 2009). Specifically in the state of Hidalgo where the research took place, it was estimated that between 75% to 80% of businesses are family-owned (Saavedra, Hernandez, Mendoza, Jimenez, Hernandez, Vazquez & Navarrete, 2007).

The role of FB in the global economy is highlighted as a result of its impact in the generation of jobs and opportunities for both active and non-active family members, as well as for local communities and the economy of countries (Basco, 2006). However, according to Poza (2005), 85% of FBs go bankrupt during their first five years of operation. This is a key aspect to be analyzed because over time, FBs become more complex with the inclusion of future generations and the participation of more than one family in the management and control of the business (Steckelr, 2006). Furthermore, statistics also shows that while one-third of FBs survive in each successive generation, the others are either closed down or sold off as a result of competition, family dynamics, and tax burdens (Aronoff, Astrachan & Ward, 1996).

Consequently, it is worth mentioning that according to the Family Business Review (2009), 80% of FBs in the world are controlled and managed by families, while the remaining 20% are controlled by external agents of the families (Valenzuela, 2011).

More important than the number of FBs in the world is the significant contribution they make in supporting many families and the economy of nations. Research studies on FBs started in the 80s; however, insufficient data exists in Mexico According to information revealed by Soto (2013), only 30 academically published documents (70% in article format and 30% presented as papers) showing the need to do more research exists in Mexico.

Furthermore, Benavides-Velasco, Quintana-García & Guzmán-Parra (2013) in their research stated that FBs are more consolidated in the United States, followed by Canada. In Europe, most of the studies were conducted in the United Kingdom and Spain. Also, Asia also had an interesting participation during the last years, whereas in Latin America, insufficient research has been conducted on FBs. There are evidences of research in FBs in Chile, Argentina, Brazil, Mexico, Nicaragua, Uruguay, and Costa Rica. Limited research studies in Latin America, motivated us to explore the reality of FBs in the state of Hidalgo, Mexico. Thus, the aim of this paper is to carry out an assessment of FBs in Hidalgo and discuss its application of the preliminary results of the Survey of Governance and Management of Family Business. The main contribution of this paper is to provide an overview of the reality of FB in the state of Hidalgo (since this is not yet well understood), and to provide a set of future questions for further studies.

The content of this article is as follows: In the first section, a literature review is presented, including the definition, characteristics, and governance structure of family-owned firms. The next section presents the methodology used to achieve the research goal. Subsequently, a descriptive analysis of the results of the survey was shown; and finally, the conclusion was discussed. Therefore, this research is part of the International Network of Family Business composed of members from Universidad de Valencia, Centro Universitario del Sur of Universidad de Guadalajara, and Universidad Autónoma del Estado de Hidalgo.

Literature Review

What is a Family Business?

As in other disciplines, there is no single consensus on what a FB is. In order to define it, we must take into account that in FBs, two sets overlap: the family and the business. Hence, by themselves, they become independent and sometimes may be treated as two opposing systems, with different goals and priorities (Steckler, 2006). However, an agreement is observed due to the involvement of a family in the business, which defines whether or not it is a home business.

One characteristic of FB is family involvement. Therefore, there are 3 types of involvement, which takes into account the ownership and control of the company: a) ownership and control of the company by the family; b) family ownership, but not controlled by the family; and c) controlled by the family, but not family ownership (franchises).

Thus, ownership and control are two essential elements in the definition of a family firm. Therefore, Sanchez-Crespo (2004) states that a FB is one in which the assets and management or governance are held by one or more families that have the capability to influence and control the business decisions. Their strategic vision must include the objective of providing continuity into the hands of the next family generation.

Sharma, Chrisman and Chua (1995) stated that the concept of FB must include the involvement of family ownership and control. These authors proposed that a FB is a business was one or more families are involved. If one family holds the company, that family should be more actively involved as a controlling member (daily operation) in the business. If more than one family is involved, at least two members of each family should be actively engaged. Beyond the family or families being involved, they must have the control and ownership over the business. Furthermore, the business can be owned by one or more individuals in the family, but at least two members of each family should be actively involved in the management of the company.

Donnelly (1996) argues that a business can be considered a family business when two generations of a family are identified in the business and there is a mutual influence on corporate policies, as well as the interests and goals of the family by both generations. The family relationship is also an aspect to be taken into account in the definition of the family firm.

However, this relationship arises when at least one of the following conditions is met:

- The family relationship is a factor, among others, in determining the management hierarchy.

The wives and children of the principal or former directors are the Board of Directors.

- The most important institutional values of the company are identified with the family, and are reflected in both formal and/or informal publications in the traditions of the firm.
- The actions of family members are reflected or are intended to be reflected in the reputation of the company, despite its formal connection with the management.
- The families involved feel compelled to support the existence of the company beyond financial reasons, especially when losses are involved.
- The position of family members influences the sustainability of the company.
- The family members finish their relationship with the company at the end of their own career.

According to Poza (2005), a business can be considered as a FB when the following requirements are met: a) two or more members of a family or family corporation have control over the property (minimum of 15%); b) family members have strategic influence in the management of the company; c) there is an interest in good family relations; and d) there is an interest in business continuity from generation to generation.

Therefore, although there is no single definition of FB, ownership, control, and management are the key criteria to distinguish a FB.

Features of Family Businesses

Like any economic entity, family firms have strengths and weaknesses that should be considered for the purpose of analysis.

FBs have certain advantages as opposed to non-family business, such as long-term vision, loyalty among employees, flexibility and adaptability, personalized attention to customers, and the ability to keep confidentiality (Aronoff et al., 1996). As pointed out by Brokaw (1996), business managed by a team of family members is more resistant to economic crisis than non FBs. They also have more possibilities of success compared to other types of businesses primarily due to the existence of internal flexibility and other hard-to-replicate features, including nimbleness, speed in decision making, family-value based management, continuity of operations, and long-term vision (Simon & Gomez, 2013).

Furthermore, as pointed out by Donnelly (1964), weaknesses of FBs are a) conflicts that arise between the family's and company's interests; b) a lack of discipline on profits and performance of the firm; c) the mistake of not promptly facing new challenges in marketing; and d) situations where nepotism dominates without the control of managerial behavior. Likewise, in FBs that lack a sense of corporate responsibility, there are abuses such as missing funds, financial secrets of poorly used financial resources, flawed domestic policies, and the lack of efficiency in the use of talent related to management and nepotism.

Another aspect to be considered in FB is emotions. While family members may enhance the growth of the company, they may also become a significant limiting factor for its development. Donnelly (1996) states that the balance between the family and the business interest is usually a psychological issue arising from the sense of responsibility to the company by the family or its members.

One of the biggest challenges FBs face is the generational change of leadership, which involves the transfer of company's ownership and the decision-making power from one leader to another (Corona & Galvez, 2005). Succession becomes more complex as the company grows and more generations are involved, since the interests and aspirations of family members do not always align. Therefore, succession is a process that should be planned to ensure business continuity.

Family protocol is a written document that helps to take decisions related to the company issues of succession and roles of family members who are actively involved in the company. It is an agreement between the family members' will and the company through a debate and consensus allowing for the relative adjustment of their work within the FB. In addition, standards of conduct governing the members of the family in possible business scenarios are also set in the family protocol document.

In Mexico, as well as in many other countries in the world, most of the FBs are small businesses. This size feature has to be considered in the research, since small businesses have different characteristics when compared to the rest of the firms. In Mexico, there are approximately 4,015,000 small businesses, representing 99.8% of all the enterprises in the country. They generate 52% of the nation's GDP and 72% of its employment (INEGI, 2013).

Although small businesses have an interesting participation in Mexico's economy, their productivity has lowered from 28% in 1999 to 8% in 2009. However, the average decrease by year has been 6.5%, due to several challenges including, insufficient access to financial services, labor regulations that discourage hiring full-time employees and informal jobs (McKinsey & Co, 2014). In a survey carried out by Price Waterhouse Coopers (2013) on FBs in Mexico, respondents answered that the main challenges they face were reorganization, recruitment, development of new products, technology, and cash flow. However, these problems can also be seen in other companies, whether or not they are family-owned. In fact, small businesses in Mexico face big challenges due to their low productivity and the nation's traditional economy. FBs in Mexico, besides these problems, face the lack of governance structures, including the Board of directors and the Shareholders Assembly (KPMG, 2013).

Corporate Governance

Corporate governance is a system of structures and processes intended to guide and control the company, in order to ensure economic viability and legitimacy (Cadbury, 1999; Neubauer & Lank, 1998). It refers to the set of principles and rules governing the design, integration, and functioning, composed by the three powers within a company, i.e., shareholders, the board of directors, and the senior management. A governing structure in a FB is a group of people whose responsibility, through their individual and team skills, influences the running of the business (Gallo, 1995). Family firms, as in any ordinary company, are governed by a Shareholders Assembly and Board of Directors, and may also have a family assembly and family council.

Consequently, the governing structure in a FB is intended to separate power and manage the family’s ownership more efficiently (Belausteguigoitia, 2012). Also, a good governance structure will regulate the owners’ or shareholders’ degrees of intervention in the firm and help balance the power among family members as well as those that stay out of the business management.

In the next section, we will define each governance structure in order to distinguish their features and importance in FB.

Board of Directors

The board of directors is the body legally composed when a business is a legal corporation. The board of directors should be established as the decision organ related to the company’s issues where all managers have the opportunity to express their positions on business matters (Torres & Jimenez, 2006). Its objective is to ensure the appropriate functioning of the business, rather than the family’s interests, providing solutions on issues related to administrative and financial analysis.

Shareholders Assembly

The shareholders assembly is the board where shareholders meet regularly (Llanos, 2006). It is composed only by the shareholders, whether they are family members or not. This board analyzes and makes decisions in issues regarding dividends, capital reinvestment, and the financial position of the company.

Family Council

The family council is a board where family members with authority within the family (or those that control a portion of the company property) represent the company and manage both the relationships within the family and the relationships between the family and the businesses (Llanos, 2006). It is the governance structure through which family members' goals and concerns regarding the company are channeled and discussed (Torres & Jimenez, 2006). This is a permanent structure composed of families who meet regularly to discuss the affairs of the company and the family, establishing policies and mechanisms that allow them to cope with the problems and challenges of the company (Lopez, 2009). However, its main objective is to solve family conflicts, ensure family unity, and keep good family and FB governance.

Family Assembly

The family assembly is ideally composed of all the members of the family whether or not they work in the business or participate in the financial capital. It is an informative, and not a decisional organ (Llanos, 2006) which serves the demands and expectations of the family. Hence, it intends to eliminate unforeseen conflicts that may arise. It is considered as a board that looks after the interests of the family in the business, achieves goals, and analyzes intra-family issues and participation in the management of the firm (Gallo, 2007). Thus, the mission of the family assembly is to foster unity, commitment, and harmony among family members through a formal meeting, which is held annually and serves as a forum for communication between the family and the business (Hers, 2008).

Methodology

The aim of this paper is to carry out an assessment of FB in the state of Hidalgo to describe the preliminary results of the research project "Management and Corporate Governance of Family Business" of the International Family Business Network established by Universidad de Valencia, Centro Universitario del Sur of the Universidad de Guadalajara, and the Universidad Autónoma del Estado de Hidalgo, where the Survey on Governance and Management of Family Business was applied.

The sample in this study is composed of 167 FB in the state of Hidalgo. The survey was intended to be answered by the owner of the company. The gathering of information was carried out through the Survey on Governance and Management of Family Business, developed by the Family Business Chair at the Universidad de Valencia, Spain. Therefore, the survey includes the following 11 topics:

1. Form and company activity
2. Management of the company
3. Current property
4. Incorporation of the company family
5. Board
6. Family council
7. Family heritage, business assets
8. Succession
9. Transfer of ownership of the company
10. Family protocol
11. Details of respondent

Results

In this section, we present the results of the data analysis. As mentioned above, in the present study, 167 FB in the state of Hidalgo were involved mainly from the services and manufacturing sectors as shown in table 1.

Table 1. Participating sectors

Sector	Percentage
Agriculture, forestry, fishing, and hunting	5.4%
Mining	0.5%
Manufacturing	27.5%
Construction	6.2%
Electricity, gas, and water supply	1.1%
Services	29.0%
Wholesale	13.2%
Retail trade	17.1%

The average age of the companies interviewed was 24 years, and only 28.3% have a strategic plan. The firm's size, measured by the number of employees, is mostly micro and small enterprise as shown in Table 2.

Table 2. Number of employees

	Percentage	Number of Employees
Micro	1-10	41.5%
Small	11-50	40.9%
Medium	51-100	7.3%
Big	101-	10.3%

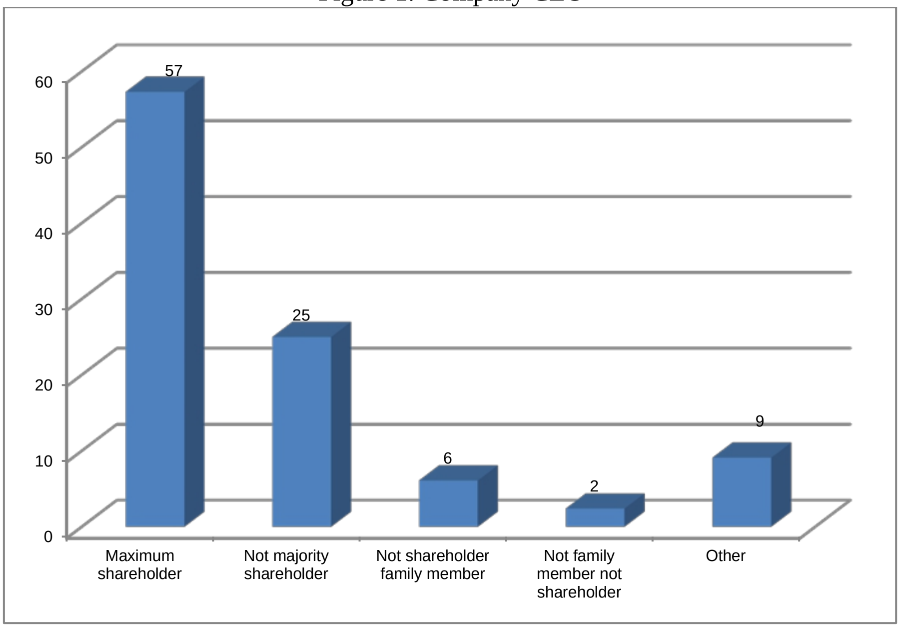
Related to the market target, 52.7% address the local market and only 4.8% address an international market. Approximately 42.3% have a shares plan and budget control. Nearly half carry out a product or service account (57%) and have an initial budget (53.3%). One-third of the respondents employed a balance sheet on a monthly basis and surprisingly, 12.7% do not have these financial statements.

Table 3. Frequency of balance sheet

Frequency	Percentage
36.1	Monthly
17.5	Quarterly
10.2	Semiannually
23.5	Annually
12.7	Never

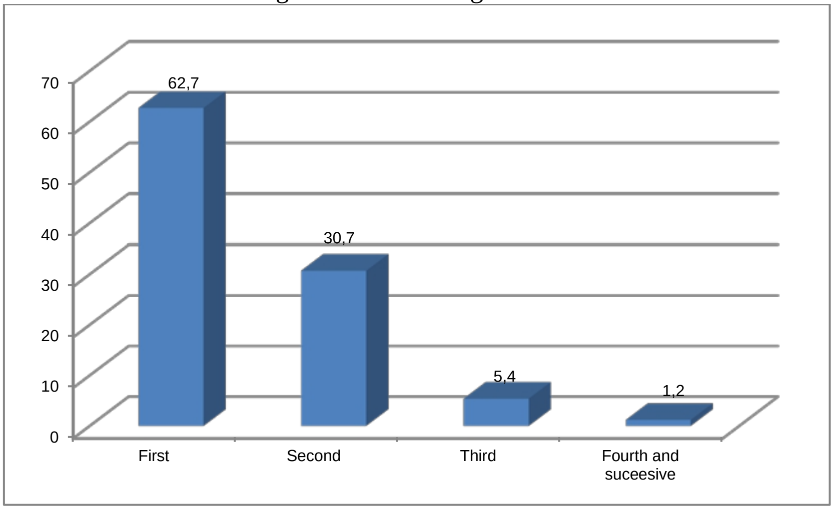
In reference to the person who is in charge of the business, more than half claimed their CEO to be the largest shareholder responsible for the overall management (57.3%). Consequently, this was followed by a non-majority shareholder family member (25%). Only 2.4% has a professional who is neither a family member nor a shareholder in charge of the overall management (Figure 1).

Figure 1. Company CEO



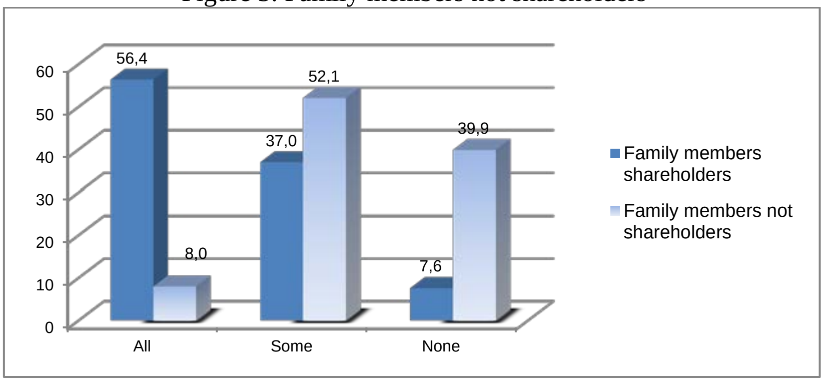
Related to the generation dominating the FB, the vast majority has the first generation (62.7%). A third is dominated by the second generation (30.7%), while a low percentage is dominated by the third generation (5.4%) and by the fourth and successive generations (1.2%) (Figure 2).

Figure 2. Dominant generation



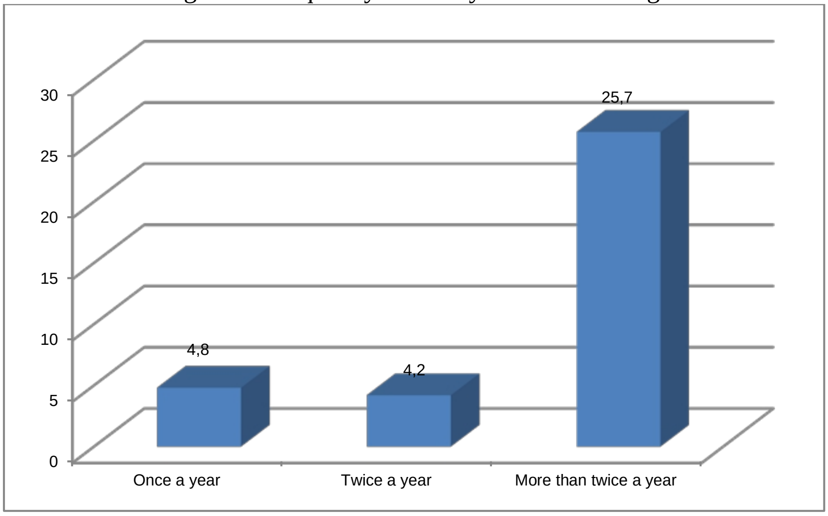
Regarding the percentage of family members working for the business, half of the respondents answered that all family shareholders work for the company (56.4%); more than a third (37%) mentioned only a few; and the rest states that none of the shareholders family members work for the company. On the other hand, 8% mentioned that family members who are not shareholders work for the company; 52.1% answered that some family members that are not shareholders work for the firm; and 39.9% answered none work for the firm (Figure 3).

Figure 3. Family members not shareholders



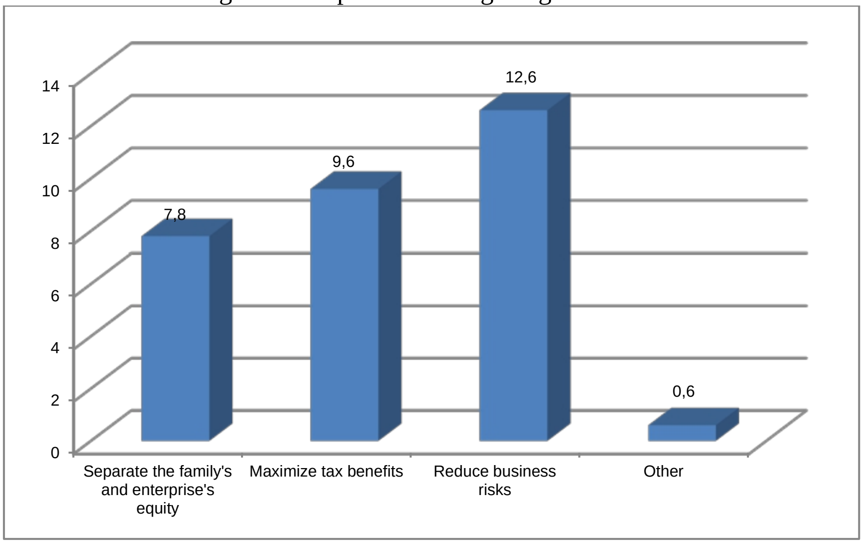
However, one highlighted issue that was questioned was the presence of governing bodies in these firms. Approximately one-third has a Board of Directors, with the presence of women in 88.5% of the sample. Moreover, more than half (57%) has knowledge of what a family council is. However, only a third (35.3%) claimed to have one. The frequency of meetings is as follows: 4.8% meet once a year, 4.2% meet twice a year, and 25.7% get together more than twice a year (figure 4).

Figure 4. Frequency of family council meetings



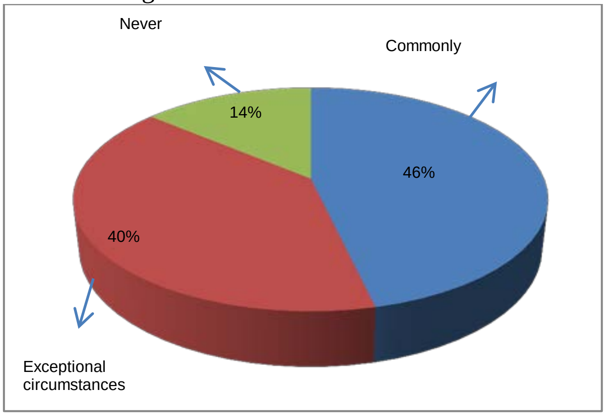
One out of five of the respondents claim to have a legal structure for equity (20.4%), while a small proportion presumes to have it with the objective of separating the FB assets (7.8%). For another proportion, the intention is to maximize tax benefits (9.6%) and to reduce business risks (12.6%) (Figure 5).

Figure 5. Purpose of having a legal structure



Related to the use of financial resources for other needs outside the company, 46.4% mentioned using the financial resources of the company for current non-business needs routinely. Thus, 39.8% do so only in exceptional circumstances and 13.9% never does (Figure 6).

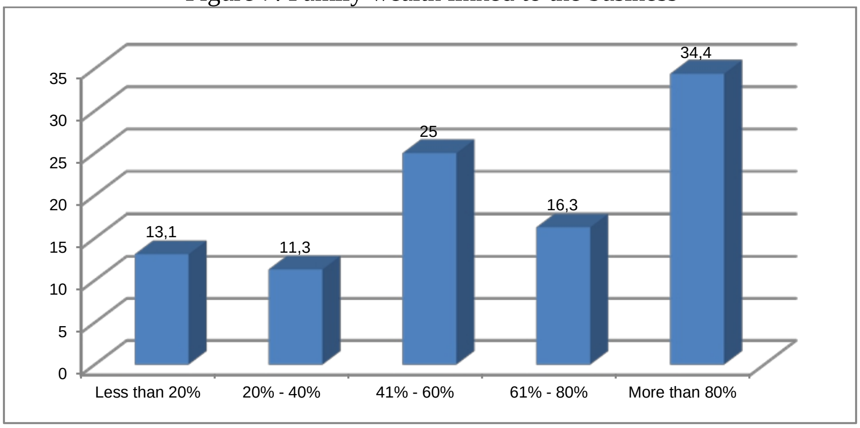
Figure 6. Use of financial resources



Almost half of the FB, has relatives that support the company with their personal equity (46.4%). If a family member shareholder wishes to sell his/her shares, 20.6% has some mechanism previously agreed to facilitate the sale of shares. Likewise, nearly a third (29.2%) has some mechanism to prevent the sale of shares to non-family members. Regarding dividends, 36.3% pay dividends to shareholders, and almost a quarter (24.5%) has previously established norms on standard dividends

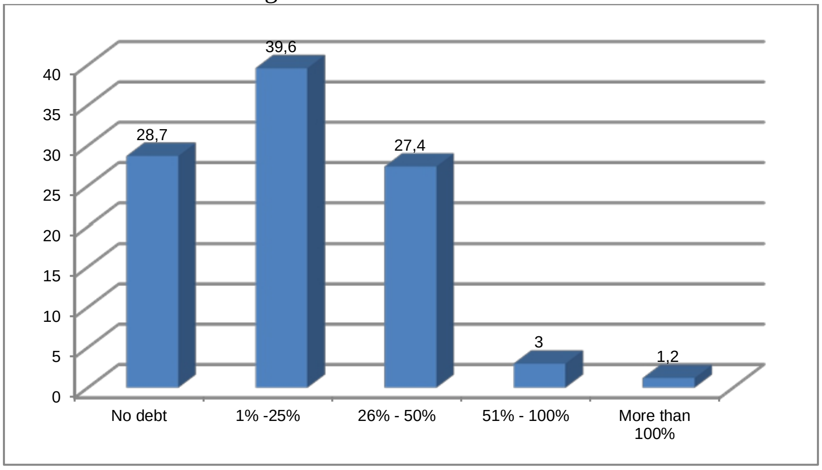
Therefore, the percentage of household wealth tied to the business is as follows: almost one out of ten (12.6%) has less than 20%, another tenth (11.3%) between 20% and 40%, a quarter (25%) between 41% and 60%, 16.3% between 61% and 80%, and more than a third (34.4%) over 80% (Figure 7).

Figure 7. Family wealth linked to the business



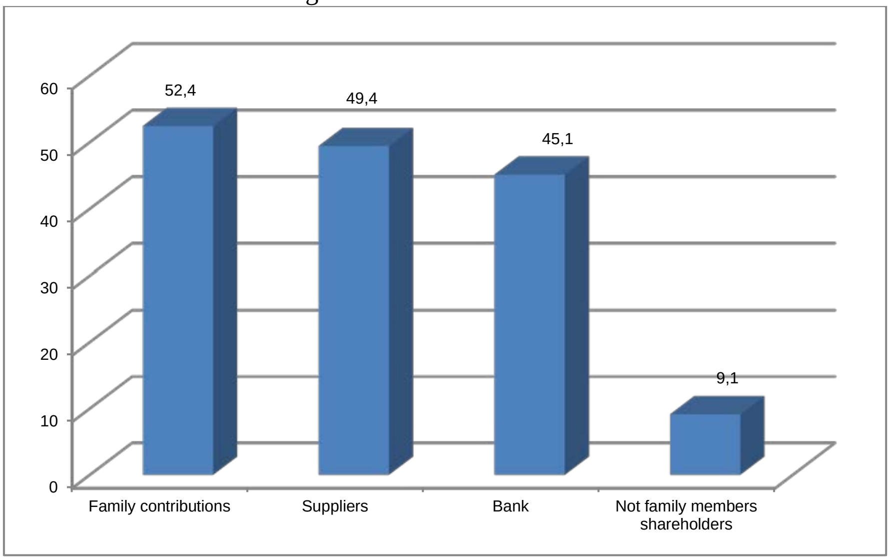
In reference to the level of indebtedness, nearly a third (28.7%) claims to have no debt; 39.6% has a debt between 1% and 25%; another third (27.4%) between 26% and 50%; and a minimum percentage between 51% to 100% (3%) and more than 100% (1.2%) (Figure 8).

Figure 8. Level of indebtedness



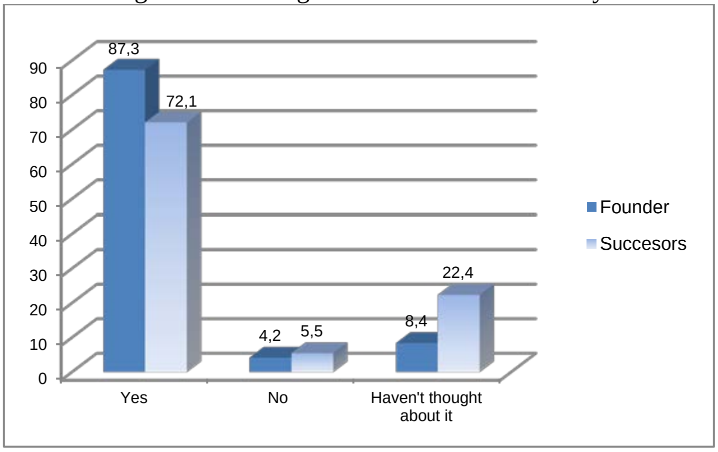
More than half of the participants (59.8%) mentioned that they have abandoned interesting investment projects due to lack of funding. FB in Hidalgo are mainly financed through family contributions (52.4%) and suppliers (49.7%), followed by banking (45.1%) and relatives (9.1%) (Figure 9).

Figure 9. Level of indebtedness



Related to succession which refers to the founder's desire for the company to continue to be owned in the future by family members, the majority (87.3%) state their willingness for business continuity. 4.2% do not have the will and the remaining (8.4%) do not have a specific plan. In the case of the successor, the percentage is similar, although the proportion is even higher for those who have not even thought about it (Figure 10).

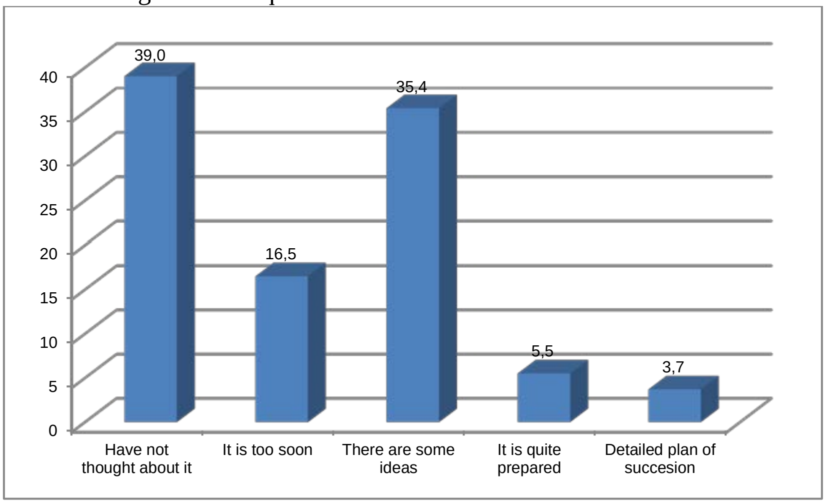
Figure 10. Willingness for business continuity



Regarding the reasons of potential successors to continue the business, 13.2% state that their motivation to take control of the company is based on economic rewards. Nearly a quarter (23%) mentioned that the successor trusts in his/her ability to take control of the company; and for the majority (63.8%), their motivation to take control of the company is based on the professional interest and personal desire to continue the FB project.

In regard to the requirements for management transfer, 39% have not thought anything about it; 16.5% mentioned it is still early; 35.4% have some ideas; 5.5% are quite prepared; and only 3.7% have a very detailed plan of succession (Figure 11).

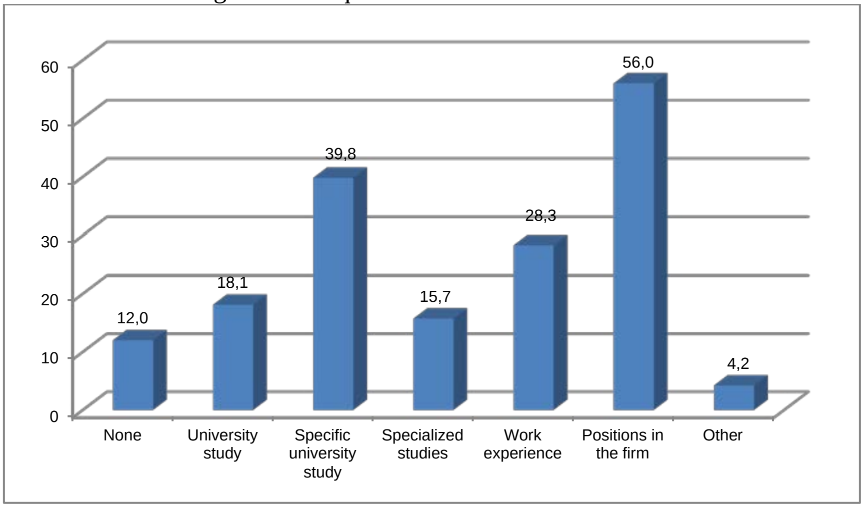
Figure 11. Requirements for the transfer of the business



Nearly three out of four (74.3%) of the respondents claim to have someone trained to take over the company, while 7.8% do not have anyone. In addition, 17.5% have not yet questioned the need to have a successor.

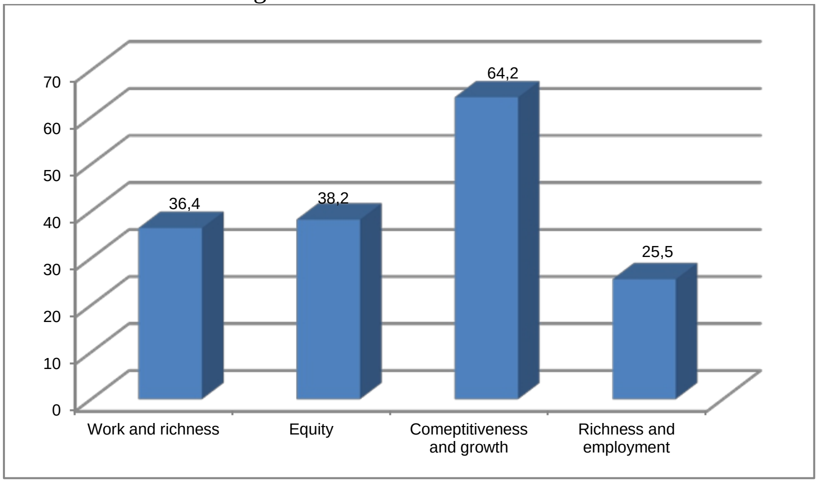
Regarding the requirements the future successor should have, 12% mention that no requirements in particular are needed; 18.1% stated college studies as a requirement; more than a third (39.8%) mentions that the successor must have specific college experience; 15.7% stated that specialized studies are required; 28.3% pointed out the need for prior job experience in other firms; and more than half (56%) demand to have held positions of lower rank within the company (Figure 12).

Figure 12. Requirements for future successor



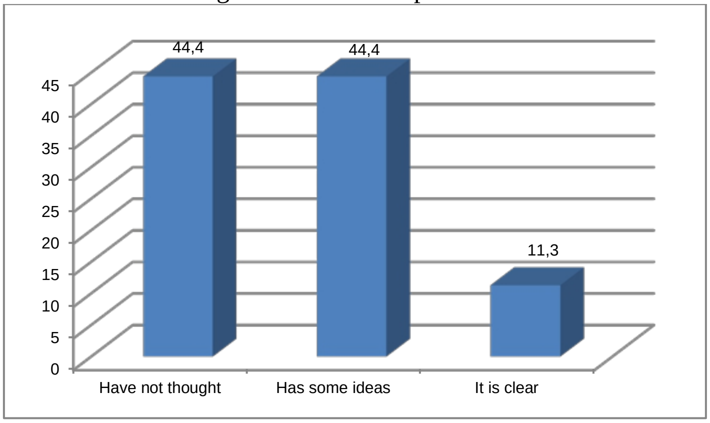
However, the priorities of the company for the future is as follows: provide jobs and wealth for the next generation (36.4%), wish to provide assets to the next generation (38.2%), want to improve competitiveness and growth (64.2%), and wish to create wealth and employment in the region where the firm is located (25.5%) (Figure 13).

Figure 13. Priorities for the future



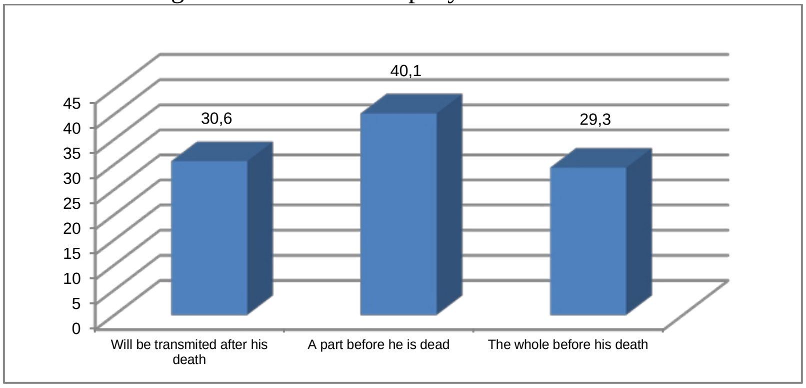
In regard to the firm's ownership, 44.4% of the respondents have not even thought of how the company is going to be passed to the next generation. Hence, another equal proportion (44.4%) have some idea about it, and the remaining (11.3%) has a clear plan for transfer (Figure 14). From this latter proportion, the majority (68.5%) will transfer the company, as well as the rest of assets, equally among all their siblings. Also, for nearly the third part (31.5%), the transfer will not be equal among all the siblings, as some will get more company and others, more of the family estate.

Figure 14. Ownership transfer



In relation to how the company will be forwarded, a third (30.6%) will transfer the shares once the owner has died. 40.1% will transfer a portion of the shares before the owner dies, and nearly another third (29.3%) will transfer all shares before the owner's death (graph 15).

Figure 15. How the company will be forwarded



With reference to the family protocol, nearly a third (28.9%) of the respondents mentioned that they know what a family protocol is. Hence, more than half (54.2%) do not know what it is and 16.9% have some idea. Only 17.6% stated that they have a written protocol, while the majority (88.6%) considers the protocol to be a useful document.

Discussion and Conclusion

This paper presents the preliminary results of the research project "Management and governing structure of family owned business", in which a survey was applied to get an overview of family firms in the state of Hidalgo. Thus, a diagnosis of the reality of FB was obtained in the state of Mexico. Although features of FB are well known in literature, and do not change greatly based on location or country, in the state of Hidalgo, nonspecific results of these companies was known. Therefore, the contribution of this research is a diagnosis of FB in the state of Hidalgo, as well as the proposition of a set of research questions.

While governance structures do not guarantee the success of FB, they represent a support and a guideline for preventing future family problems, and of course, business conflicts. The findings show that in more than half of FB, CEOs' offices are occupied by the largest shareholders. Furthermore, the first generation dominates the company. Thus, in more than half, shareholders belonging to the family work for the company. Governance structures in FB are not yet fully established. The results show that a third of the respondents claims to have a board of directors and a family council. The family council is a governance structure that is not even known in half of the companies. The presence of women in family and in the governing board is significant. Although the role they play is unknown, it requires further research since in this kind of business, the presence of women has important implications in the operation and decisions taken in regard to the FB.

The transfer of FB is an issue that has not yet been given the importance it deserves to avoid future problems for the business, as well as the family. Approximately, a quarter of the owners has not even thought about anything in relation to the transfer of ownership and only one out of ten has it clearly planned. Also, more than half of the firms plan to transfer the company equally among all the siblings. However, nearly a third wants the shares to be transferred after their death. In addition, a quarter of respondents have the intention to transfer the shares before they die.

Regarding family protocol, more than half of the respondents do not know what this document is and only 18% mention to have a written protocol. A low proportion of FB has a secretarial structure for the family estate. It is necessary that FB get to know the benefits of having such a structure through tax benefits, separation of family and business assets, and the reduction of business risk.

It is noteworthy that nearly half of the companies routinely use the financial resources of the company to address external needs. Furthermore, family members support the company’s assets in almost half of FB. In agreement with other authors (Donnelly, 1964; Sanchez-Crespo, 2004), the lack of discipline in accounting issues can be the cause of failure of FB since the decision to not separate family and business assets and/or the use of financial resources to meet needs, either of the business and/or the family, can provoke serious financial problems. The sale of shares is an issue that is still not considered by these firms since only one out of five has some kind of previously agreed mechanism to facilitate the sale of shares. Similarly, nearly a third has some mechanism to prevent the sale of shares to non-family members. A family protocol may be useful to state the terms and conditions of the sale of shares to avoid the risk of loss.

Funding is mainly through family contributions, suppliers, and banks. Few FB are indebted to unfamiliar partners. There is a desire for continuity of the FB both by the founder as well as the successor, and in most cases, the motivation of the successor is based on professional interest and personal desire to continue the business project of the family. Therefore, it seems that the FB continuity depends on the founders' wish, although sometimes the founders and the siblings' interests are not the same, as well as the family's and the firm's interests. Thus, future research is needed in order to answer the questions: Does the family's and company's interests align? Do the founders' and the siblings' wishes points out on the same direction?

The majority of respondents have not thought about the requirements for the management transfer, while others have some ideas. Thus, only a few already have a succession plan. Requirements for the successor include having held lower level positions in the firm, specific college experience, and prior work experience in other companies. For most of the firms, the priority for the future is focused on improving competitiveness although there is also a concern to provide wealth, as well as job for future generations.

Hence, it is concluded that FB in the state of Hidalgo are unaware of governance structures, as well as family protocol. Therefore, they have not prepared the future of the company as far as economic issues are concerned, which threatens the future of these companies. Most of the enterprises included in the sample are small business. Big sized FBs are more professionalized and tend to have a formal structure and more governance organs in their firms. Future research is needed to demonstrate the benefits of the governance structures. However, we do not know if FBs do not have them, due to the lack of knowledge of their existence or if they are not concerned about the benefits that they could have with their establishment. It seems that the size of FB is a key aspect for the professionalism of governance structures. Also, the heterogeneity between small and big sized FB seems to be an important issue. Besides the limitations of low productivity that FB in Mexico has, a low professionalism and the lack of knowledge of governance structures in FB put their future at risk. It is also important to know if big and small FBs are as different as it seems. Therefore, future research is needed in this aspect.

Family's values are transmitted to the firm, and they determine the members' behavior and decisions. FB are considered to be conservative, and with a bigger risk aversion than non FB. Hence, this is why it is important to analyze their organizational culture and verify if their values may be an obstacle or on the contrary, they can be a source of competitive advantage. As mentioned in the literature review, small business in Mexico face big challenges related to productivity (McKinsey, 2014). FBs are usually stereotyped as traditional and slow business. Thus, that is why we question: Do small sized FB face another challenge due to the way they do things that lowers their productivity?

It is important to develop future research that can diagnose the capabilities of FB, since this kind of business is the livelihood of many families. As a result, we ask the question: what are the capabilities of this kind of business?

Finally, the results of this research have implications for practitioners, as well as academics. Practitioners can get to know the features that characterize their FB, as well as the benefits they have through the implementation of governance structures in order to control and even avoid future problems that could put their business at risk. For academics, a set of future research questions are proposed.

Given the descriptive and exploratory nature of the study, this research has some limitations since it was not possible to delve deeper into problems these companies face. It is also necessary to expand the sample to include a larger number of firms, especially big sized companies. This is in view of getting a better understanding of the use of governing structures, since small enterprises hardly have such governance boards. Consequently, the main limitation of this research is the size of the FB included in the sample, since most of them are small and medium enterprises. In addition, future research must include big sized companies. These limitations provide the opportunity for further knowledge of the reality of FB in Hidalgo.

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