CONNECTING YOU WITH THE BEST CERTIFIED TALENT ON THE PLANET.

CEO Worldwide Expert File

Family Business in Latin America: Establishing a Protocol for Succession

Of the world's 500 largest family businesses, 32 (7,6%) are located in Latin America according to the 2016 Global Family Business Index.

Over 70% of these businesses are publicly listed companies with average 78 years old.

On the other hand, Latin America and the Caribbean Region (LACAR) are home to upwards 57 million small-and-medium-sized enterprises (SMEs) with fewer than 100 employees. These companies account for over half of the region´s net job creation.

Nevertheless, SME´s in LACAR are far less competitive than their counterparts in wealthier countries and have enormous untapped potential.

One has to remember that, among other challenges, the region is in urgent need to create more and better economic opportunities for its workers.

Speaking of challenges, all family owned businesses (FOB) have to face, one day or another, the passing of the reins to the next generation. This is a delicate moment in the life of any family-run organization. At that point, SMEs that have planned (and developed) in advance family protocols and succession agreements, will be in a much better position to achieve a generational transition without compromising the future and the continuity of the company itself.

Several models have been developed to describe and analyse the different stages that family business go through during their existence. To make it simple and as an overview, I will refer in this paper to the basic 3-stage model that summarizes the business lifecycle:

1- Founder(s) Stage

2- Sibling partnership

3- Family dynasty

Stage 1: this is the initial step of the FOBs. The company is entirely owned and managed by the founder(s). There is a strong commitment of these individuals to their success of the company and a relatively simple governance structure. The control and ownership rely on the hands of the same person, but the most important issue to be addressed during the life of the founder is succession planning.

Stage 2: management and ownership have been transferred to the children of the founder(s). Governance issues tend to become relatively more complex than those observed during Stage 1. A new share of issues arise, like: maintaining family harmony, formalizing business processes and procedures, establishing efficient communication channels between family members and ensuring succession planning for key management positions.

Written by Armando Camarillo, iCEO # 49937

Contact us! **Phone:** ***+44 203 137 2581*** **Email:** ***search@ceo-worldwide.com***

Website: ***www.ceo-worldwide.com***

CEO Worldwide Ltd - 9 Queen's Yard - White Post Lane, London E9 5EN, ENGLAND

Stage 3: more family members are directly or indirectly involved in the business. Many of these members belong to different generations and different branches of the family. Therefore, many diverse ideas on how the company should be run and how the overall strategy should be set appear. By far, this stage involves numerous family governance issues. Some of the most common, are: family member employment, family shareholding rights, dividend policy, family conflict resolution and family vision and mission.

In a typical non-family business, any involved individual can be an employee, a manager, an owner, a director or some combination of these roles.

However, in FOBs environments, matters become more complex as an individual may have multiple roles and responsibilities. Among other family governance institutions that a FOB might develop, are: family assembly (i.e. "family forum"); family council ("family executive committee"), family office (investment and administrative center); just to name the most relevant and common.

Key aspects of family governance institutions

	Meeting	Assembly	Council
Stage	1	2	2
Membership	Generally open to all family members but additional participants are defined by the founders	Generally open to all family members but additional participants are defined by the family	Family members elected by the family assembly. Selection criteria defined by the family
Size	Small, since family still at founders stage	Depends on the size of the family and membership criteria	Ideally 5-9 members
Main activities	Communication of family values. Discussion and generation of new business ideas. Preparation of the next business leaders.	Approval of major family related policies and procedures. Education of family members on business issues. Election of family council and other committees.	Conflict resolution. Coordination of the work with the management and the board. "Balancing" the business and the family.

Contact us! Phone: *+44 203 137 2581* Email: *search@ceo-worldwide.com*
Website: *www.ceo-worldwide.com*
CEO Worldwide Ltd - 9 Queen's Yard - White Post Lane, London E9 5EN, ENGLAND

Mexico has the second largest economy in Latin America. It is a nation where affluence, poverty, natural splendor urban blight rub shoulders.

Like with many other industries, the pharmaceutical sector faces global and local challenges. To put it on perspective, Mexico is the eleventh global market for pharma with a net worth of 13.2B USD. The country has extensive Healthcare needs, particularly those related to chronic diseases (cardiovascular, diabetes, cancer, etc.).

Still considered as an "emerging market" by many global companies, Mexico is perceived as having enormous potential and multinational companies hold high expectations for their local subsidiaries.

Therefore, when a SME-FOB like Quimica Farmaceutica Esteroidal (QUIFAEST) requested consultation services, prior context, as described, needed to come together for effectively analysis, development and implementation of their own Family Protocol for this pharmaceutical enterprise.

It has only taken a few weeks, to assemble a comprehensive business diagnosis for this company. To the owner, soon to be identified as Board President, and one of his siblings -operating General Manager- the insights provided about their company stage, the global and local industry perspectives outlined, the painful -but necessary- actions that need to take place within the organization (like removing family members from key areas/positions, due to poor results) have been both eye openers and rewarding guidelines to establish the foundations for succession planning and formalizing business processes and procedures.

Work lies ahead, both for QUIFAEST and my consulting services. At present, this company is consolidating presence with branch offices in 3 major US cities, as well as operation partnerships with Indian counterparts.

In the words of the company founder and operating general manager: "we have found a very knowledgeable and practical Business Consultant. But more importantly: now a friend".

<u>About the author:</u>

Armando Camarillo is Founder & Managing Director of Achieve Consulting Mex – LatAm, a business consultant firm focused to entrepreneurs and SME but with 3 decades of professional experience to serve large corporations in specific projects. Specialties: business start ups, increase sales, consolidate market expansion, install world class management practices, provide mentoring. Spanish & English spoken. Intermediate Portuguese (reading and writing business communications)

Contact us! Phone: *+44 203 137 2581* Email: *search@ceo-worldwide.com*

Website: *www.ceo-worldwide.com*

CEO Worldwide Ltd - 9 Queen's Yard - White Post Lane, London E9 5EN, ENGLAND