

Chapter 14

Create Value in Family Business SMEs in Colombia

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ABSTRACT

This chapter focuses on the identification of the factors of linkage of the successors in the Colombian SMEs Family Companies located in Bogotá D.C. and the understanding of the existing relationships between the factors of linkage of the successors with the processes of creation of value. The general methodological framework is the result of three research proposals that are assumed as guiding theory and that contribute to the design of the instrument for the study of the modes, the moments, and the motivation of the successors to enter the companies. The sample of qualitative type analyzed corresponds to 10 companies and considers the criteria of legality and formality pertinent. The investigation allowed to identify factors in the modes, moments, and motivation of entry of the successors and to argue that there is a relationship between the factors of linkage of the successors with the processes of creation of value in the SME Family Businesses located in Bogota.

INTRODUCTION

The numerous investigations carried out in Colombia on SMEs of family businesses, in general, have raised a qualitative analysis of the success factors and have been based on European and North American theoretical references. However, there are few studies that address the relationship between successor linkage factors (qualitative analysis) and the results of financial management (quantitative analysis) of Colombian entrepreneurial SMEs.

The investigations that highlight the qualitative factors from the classical perspective -Longenecker and Schoen (1978), Ward and Sorenson (1988), Aronoff and Baskin (1998), Stavrou (1998), Goldberg (1996) -, propose stages to follow as a Process of diachronic socialization, in which the successor's income as a full-time employee and the transfer of leadership to the successor are analyzed fundamentally for Betancourt, G, Betancourt, J, Zapata, N, (2012): the motivation of the successors arises in the moment they wish to work initially outside the company and after a period of time are linked to the direction

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of the family business (EF); the successors must be of legal age and have work experiences outside the company; the new generations should be linked to the EFs only if they are interested in joining the company; the successors can be effective and not effective; and finally, they emphasize that the processes of succession are long-term and obey a correct planning.

In addition, in the field of finances of family businesses, numerous investigations have been carried out, but these, first of all, have not related the factors (qualitative and quantitative) of the linkage of the successors; and, secondly, the research that is taken as a reference to explain the financial results of Colombian family SMEs is European and North American.

The best-known exponents in Colombia since the last third of the twentieth century -Jensen and Meckling (1976), Morck, Shleifer, Vishny (1988), Demsetz (1983)-, attempt to identify the convergence of interests that exist when family entrepreneurs and successors have a share in the working capital and profits of the company to create value in the family business; If, on the other hand, there is no such convergence and one works for its own benefit or benefit, the family business is in a financial crisis.

The Austrian School gave an important place to the role of the company and the entrepreneur in the economy (Obschonka, Hakkarainen, Lonka and Salmela-Aro, 2017). In the Latin American context, (Cachanosky, 1999); He assumed this perspective; and the present work is part of that approach. Based on the analysis of financial results, Cachanosky defines two types of entrepreneurs that we intend to identify in SMEs in Colombia. Family businesses: the unsuccessful entrepreneur, who is always fighting for the government to establish entry barriers, so that the entry of other entrepreneurs to compete is impeded. That is to say, they are businessmen who seek profits at the expense of the population. And the successful Entrepreneur who is innovative in their products and processes, reduces operating costs, that is, seeks to obtain the $ROIC > WACC$ (Return on invested capital > Average weighted cost of capital). The Austrian School calls this imbalance “undervaluation”, because it is at this moment that the successful entrepreneur must fight against the forces of the market to generate a $ROIC > WACC$; That is, what generates business profits and increases the value for the company. The pseudo-businessman is the one who seeks to put legal barriers to competition; The entrepreneur is the one who puts barriers to competition by differentiating their products and reducing costs.

On this basis, this chapter develops the construction of a methodology to address the study of the linkage of successors in family businesses of Colombian SMEs and the understanding of the relationships between the factors linking the successors with the processes of creation of value.

Finally, the chapter provides elements on the influence of family ties on the value of SMEs in family businesses, which is a key issue related to competitiveness and productivity in SMEs.

THEORETICAL FRAMEWORK

Ethnography

Ethnographic designs aim to describe and analyze ideas, beliefs, meanings, knowledge and practices of groups, cultures and communities (Patton, 2002). Some authors, such as Martínez (1997), establish precisions about ethnographic design in the sense that the true and authentic theoretical structure must emerge from the data itself.

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