

## THE FAMILY BUSINESS AS A KEY FACTOR IN THE REGIONAL DEVELOPMENT OF VENEZUELA

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In Latin America, the transition to more developed societies has been different to that experienced by other regions that have got successful results. This difference is due, above all, to the urgency in solving basic social problems (insecurity, crime, housing, health, education, food and employment) that have required these societies to invest all their time and dedication to solving them. This situation has worsened in recent years in Venezuela. The objective of the work is to characterize the Venezuelan Family Business (FB) as a key factor of regional development. FB provides the region with the help and support necessary to solve specific economic problems and uses many local resources for the production of goods and services, with a strong attachment to the community. Therefore, the presence of a strong corporate culture and a strong sense of identity are crucial elements.

*Keywords:* regional development; family business; public policies; Venezuela.

*JEL:* R11; R58

### 1. Introduction

Countries are in processes of change and the success of their productive, organizational and social transformation depends to a large extent on the culture, available resources, innovative capacity, and the degree of development and human capital of their population. In some regions of the world, such as Latin America, the transition to more developed societies has been different to that experienced by other regions that have got successful results; this difference is due, above all, to the urgency in solving basic social problems (insecurity, crime, housing, health, education, food and employment) that have required

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these societies to invest all their time and dedication to solving them. This situation has worsened in recent years in Venezuela.

One of the fundamental pillars of the development of countries is their business activity and, in less developed countries; the family business (FB) can be a key factor in their development. The FB is an economic organization in which a family group owns and controls the resources of the company and its members participate in the management of business and decision making. Their vision and long-term permanence in the market, as well as the manifest intention of their owners and heirs to continue with the business in the future are intrinsic characteristics in this type of companies. The family experience transmitted from generation to generation translates into values, attitudes and motivations that prevail in the business and represent the family social capital (Habbershon, Williams and MacMillan, 2003). Further, any public policy intervention should consider the regional *familiness* characteristics of the regional productive structure because it may boost or hinder regional competitiveness and affect economic growth and development (Basco and Bartkevičiūtė, 2016). The importance of the FB lies in their contribution to the dynamics of the world economy, they form a large part of the business fabric in countries with moderately developed economies (Ward, 2016), and their presence is particularly important in the field of small and medium-sized enterprises (SMEs). These companies have important indicators related to their number, contribution to employment, production, income and participation in the economies of the countries where they operate (Astrachan and Carey, 1994). The Family Business Institute (IEF 2015) reports that, in 2013, there were 17 million FBs in the European Union that accounted for 60% of the total number of companies and generated 100 million jobs; in the United States, they made up 80% of the total number of companies and generated 50% of private employment. According to the *Characterization and trends of the family business in Venezuela 2010-2012* project (Exaudi, 2011), in Latin America, 85.2% of the total number of companies is FBs, of which 47.3% were managed by their founders and their annual sales were around \$ 3,000,000. In the case of Venezuela, 91.5% were FBs, 29% large companies, 7% medium-sized, 40% small and 24% microenterprises.

In short, the FB has an important influence on its environment. The FB provides the region with the help and support necessary to respond to and solve the specific economic problems of the area where it is located. In addition, the FB uses many local resources for the production of goods and services, and has a strong attachment to the community. Therefore, the presence of a strong corporate culture and a strong sense of identity are crucial elements for the success of the FB, but also for the FB to be a key factor in regional development.

Basco (2015) pointed out that FBs are economic and social actors with specificities in their behaviour may positively or negatively affect regional economic development in two different ways. First, FBs are responsible for creating, accumulating, and allocating endogenous factors. Four factors seem to be relevant: productive factors (traditional neoclassical factors related to labour and capital), human factors (quality of labour considering education, training, skills, etc.), social capital (formal and informal networks

or access to these networks), and creative/entrepreneurial capital (entrepreneurial spirit to discover and exploit opportunities). Second, a set of processes are needed at the regional level, such as spillovers, information exchanges, learning processes, social interactions, competition dynamics, and institutional dynamics. These processes are related to endogenous and exogenous factors through spatial aspects. One of these spatial aspects is proximity. Specifically, because family firms are locally embedded and because of their historical, emotional, social, and economic relationship with their context, family firms may alter the thickness and quality of five proximity dimensions (geographical, cognitive, social, organizational, and institutional).

Consequently, the aims of this work are to characterise the FB as a key factor in the regional development of the State of Mérida (Venezuela), to determine whether there are differences between the FB and the NFB, and to analyse the probability that a company is a FB based on the abovementioned characteristics. The second section describes the theoretical criteria that distinguish an FB from an NFB. The third section summarizes the main lines of public action aimed at promoting SMEs in Venezuela. The fourth section specifies the hypotheses and the method used. The results of the analysis are presented in the fifth section, includes the differences between the FB and NFB, and a model to estimate the probability that a company will establish itself in the market as FB. The sixth section presents the discussion and conclusions, and, finally, the seventh section summarizes a series of recommendations that serve as guidance for the design of future lines of public action to support the Venezuelan FB.

## 2. Theoretical criteria to distinguish between FB and NFB

The concept of FB is multifactorial and multidisciplinary (Table 1).

**Table 1** Some definitions of a FB

Author	Definition and elements present in the definition
Chua, Chrisman and Sharma (1999:25)	Business that is governed and/or managed with the intention of shaping and carrying out the vision of the company maintained by a dominant coalition, controlled by members of the same family or a small number of families, in a way that is potentially sustainable across generations.
Neubauer and Lank (2003:37)	Company, whether one-person or mercantile society of any kind, in which the control of votes is in the hands of a specific family.
Kajihara (2004:12)	Company that meets two fundamental requirements: in terms of ownership, all or at least the proportional part that allows keeping control of the organization must belong to two or more members of a family; secondly, the FB is one in which at least two of the family members are involved in the operation of the business.
Fahed-Sreih and Djoundourian (2006:227)	Any company controlled/influenced by a single family with the intention to remain in it.
Smith (2007:11)	To identify a FB, three basic criteria are used: the members of a group with emotional kinship perceive that it is a FB, a member of the family unit manages the company, and a family owns more than 50% of the shares of the company.

<b>Author</b>	<b>Definition and elements present in the definition</b>
Martínez (2010:17-18)	While there are many possible definitions, almost all of them include three basic characteristics: a family controls ownership [...].some members of the family, almost always the owners or their children, manage the business [...] the desire to perpetuate in time the work of the founder.
Ruiz, Sessarego and Guzmán-Sanza (2010:4)	[...] An important reason to classify whether a company is a FB or not is the continuity in time of a relationship between a family and a company, which, on a voluntary basis, shares a culture based on values and beliefs.
Sharma, Chrisman and Gersick (2012:7)	There are two approaches in the literature to define a FB and distinguish it from other types of organizations. The first has to do with the nature and degree of involvement of the family in the company. The second refers to the aspirations of the family (desire to keep control of the company). The combination of both leads to a determined behaviour and results in the FB.
De Nadal Bresca (2013:55)	A FB is considered a FB if it fulfils one or more of the following characteristics: the owners of the company are mostly from the same family, the board of directors is made up of members of the same family who owns a significant stock of shares, there is a second or third generation on the board of directors of the company.
Muñoz-Salgado, Nava-Rogel and Rangel Magdaleno (2013:31)	[...] at least 50% of its ownership belongs to a family and some member is in charge of the running, management or administration of the same [...] FBs are unique as a result of the involvement of the members of the family in the ownership, the management and the potential generational transfer [...]. This generational transfer is a product of a handover in the command that allows the differentiation of the generation that is in charge of the company.
Molina Sandoval (2014:150-151)	The family nature of the company implies a behaviour of the people who manage, own and/or govern the company with the intention of moulding and pursuing the dominant family group vision [...] together with the intention of owning the company over time [...] distinctive elements: family ownership of the company or its assets, family influence on the company (cultural, employment, administrative, financial, etc.). The desire to continue the company in future generations (and the possible incorporation of heirs into the company).
Sierra Romero and Benítez De la Ossa (2014:105)	Elements: [...] a) a family member or even several have more than half of the shares of the business in such a way that they have the authority to make decisions, b) the family is highly involved in the management, organization and administration of the business, c) the family has the vocation of continuity, that is to say that it has a plan of succession and generational handover, d) the family acts as guardian of the wealth generated, that is, financial capital and intangible assets in each generation.

However, the conceptual approach that best explains the way the FB is structured is the Three Circles Model originally proposed by Davis (1983) and Davis and Tagiuri (1989). This model outlines how the three pillars that make up the FB are superimposed: family, property and business, as well as the place that each of its members occupies in the seven subsets that form the areas intercepted by these three pillars. In summary, the three basic conditions for a company to be considered an FB are (Ward and Dolan, 1998): 1) The family group owns more than 50% of the property of the company, 2) The members of the family occupy managerial/executive positions in the company, and 3) The company will be transferred to the succeeding generations. This definition satisfies the purposes of this work and, therefore, will be taken into account for methodological purposes.

Other studies have focused on the analysis of the factors that characterize these companies. In relation to business size, two opposing positions have been developed.

1. The average size of the FB is generally stable and its presence in the SME environment is significant. The reasons why their size does not generally change are the difficulty of increasing their capital as the company grows, and the complexity involved in a more sophisticated management and control in a large company, which limits their management by family members (Biosca, 2003; Giménez Sánchez, 2002; Rienda García and Pertusa Ortega, 2002).
2. The FB is not only an SME, it is a company that is flexible to changes and incorporates innovative elements into its operations and structure, thereby managing to grow, exceeding its average size, becoming a large company (Winter, Fitzgerald, Heck, Haynes and Danes, 1998). Daily and Dollinger (1993) introduce a caveat by stating that the FB centralizes the decision making process and can have a quicker, more flexible response, but this does not guarantee the quality of the decision. These authors believe that the conservative spirit of the FB can work in consolidated markets or for leading products or services whose consumption or use is traditional, but, in changing markets or products and services subject to constant innovation, the FB is slow in its response capacity due to its low propensity to change.

Regarding innovation, López, Serrano, Gómez and García (2012) say that opposing arguments are usually found: on the one hand, the FB can be very innovative and aggressive in its markets and the family is a key resource for technological innovation; on the other hand, the FB is conservative and averse to risk, therefore, it is less innovative. The FB is not a radical innovative company that leads market changes, but makes improvements in existing innovations, and its innovations arise in response to the needs of customers. Another issue that these authors point out is that the educational level of their human resources is crucial for the entry of innovations in the company and affects the qualitative and quantitative impact of innovation. Rondi, De Massis and Kotlar (2018) examine the innovative behaviour of the FB and identify four types. The Seasoner posture is characterized by a low propensity to take risks and be untraditional; the company is willing to make changes without risking too much, taking advantage of existing resources in a different way to develop something different without affecting the internal nature of the company. The Re-enactor position implies a low propensity to risk combined with a high bond to tradition, it innovates through the search of family memories and inherited values that entails little risk. The Digger posture combines a bond of high tradition with a high propensity to take risks within the conservative scheme. The Adventurer stance is to have high propensity to risk and low tradition, the company innovates beyond the trends.

Leach (2010) states that the main objective of the FB is not its growth but its continuity in successive family generations. This characteristic is linked to the age of the company in the market. If the company is stuck in a very competitive environment, it can disappear, so an important motivating force for the FB is the firm desire to defend and perpetuate the company. Antiquity and continuity make the FB a known economic agent in its region, forming part of the history of its locality, which contributes to strengthening ties with

its environment and to create social capital derived from its interaction with public and private agents that operate in the community (Serna Dómez and Suárez Ortiz, 2005). As a consequence, the FB internalizes the culture and traditions of its environment, increasing its sense of belonging to the place where it acts (Brundin, Samuelsson and Melin, 2014; Stough, Welter, Block, Wennberg and Basco, 2015). Baù, Chirico, Pittino, Backman and Klaesson (2019) suggest that the FB benefits more than the NFB from local integration, achieving higher levels of growth, especially in rural areas; which makes it a key factor for regional development.

These exposed characteristics favour trust, an essential factor in the field of business. Trust is social capital, intangible or synergistic (Boisier, 1999; Coleman, 1990; Kliksberg and Tomassini, 2000; Robinson, Siles and Schmid, 2003) that can be a source of competitive advantage for the FB. The commitment of its members to the company and the establishment of stable relationships with stakeholders give a reputation for seriousness and fulfilment of commitments of their owners towards employees, suppliers and customers (Anderson, Mansi and Reeb, 2003).

Rodríguez Zapatero, Rodríguez Alcaide and Rodríguez Jiménez (2012) study the FB and its involvement with Corporate Social Responsibility (CSR) through three approaches: philanthropic, instrumental and advanced. In the advanced approach, the FB places importance on the quality of the product or service, the protection of the employee and the involvement of the company in the community. The FB understands that long-term added value can be achieved by introducing CSR actions into its objectives. These authors demonstrate the existence of two categories of CSR in the FB: on the one hand, CSR is considered a cost to be avoided; on the other hand, CSR is a strategy to be included in its mission and vision. These authors recommend that CSR practices in the family SME are made visible and that the family is considered as an internal interest group. Herrera, Larrán, Lechuga and Martínez-Martínez (2016) analyse the behavioural differences between family SMEs and non-family SMEs in terms of CSR and how factors such as business size, sex or educational level of the owner/manager can influence such behaviour. Their results indicate that there do not seem to be significant differences between the FB and the NFB in terms of sex and educational level; regarding business size, the small FB tends to perceive more difficulties in implementing CSR practices than the medium-sized FB, but these differences are not statistically significant.

Related to CSR is the way human resources are managed. Casillas, Barbero and Moreno (2013) conclude that, when the FB has negative financial results, it avoids making drastic decisions about its workforce and tends to maintain jobs. This behaviour is more common in the smaller sized and older FB, because it is more agile and flexible in making decisions that reduce the problems derived from adverse results. Therefore, the FB cares about keeping jobs and has an important role in generating new jobs. Another circumstance is the way in which the control of one person is transmitted to another. In the NFB, merit criteria generally prevail; while the FB usually takes into account subjective criteria linked to bonds of affectivity. This situation is reproduced in other positions within the company. For this reason, the FB has often been described as unprofessional.



### 3. Public policies for the promotion of SMEs in Venezuela

The importance of the FB in Venezuela is undeniable, their weight in the total number of companies in the country is high (above 90%), and 6 points above the Latin American average (Exaudi, 2011). Some peculiarities of the Venezuelan FB are (Bustillo, 1999): 1) although its origin is found in the artisanal field, it has evolved towards the industrial field; 2) it has an orientation to stay long term and have greater independence of action, with a strong family culture; and 3) its values include stability, commitment, motivation, greater adaptation in times of crisis and a willingness to reinvest profits.

There are few specific references to the FB in the Venezuelan legislation; it is possible to find a brief mention in the Constitution and in the Law for the Promotion and Development of the Popular Economy, where the Family Productive Unit is defined, but there is no clear distinction between the FB and other companies. In the allusion limited to the FB, it is considered a small company, under the modality of community enterprise, which satisfies the basic needs of its members. Given that there are no specific plans for the FB, this section summarizes the main lines of action of public policies aimed at promoting SMEs in Venezuela.

The government has formulated three plans with measures to support the SME (see <http://www.mppp.gob.ve/publicaciones-2/documentos-oficiales/>).

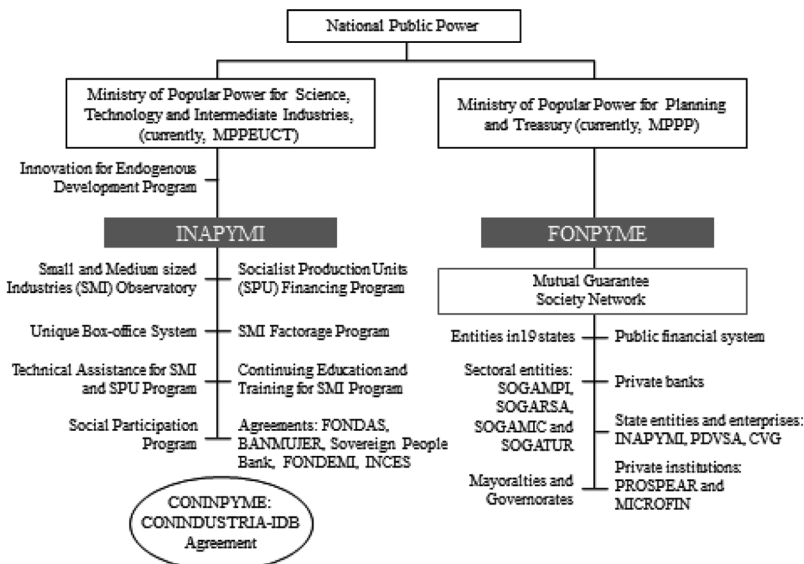
1. The Economic and Social Development Plan of the Nation 2001-2007. One of the axes of action of this plan is to develop the productive economy through the strategy of productive diversification. This plan proposes the following specific actions:
  - Promoting non-oil exports.
  - Integrating the productive chain, through the design and execution of joint programs between the primary, manufacturing and services sectors, to generate greater national added value and technical progress.
  - Guaranteeing food security.
  - Increasing and strengthening SMEs, creating different institutions and developing policies focused on the socio-economic objectives of these companies.
  - Incorporating new technologies and offering a wide range of scientific and technological training programs.
  - Consolidating the public financial sector and strengthening its capacity for technical and financial assistance to develop productive sectors.

This plan has a strategic line of action for socio-business development, which consists of the creation of cooperatives, micro-enterprises and FBs, as well as aiming to develop productive chains, financial incentives, technical assistance and financial markets. The measures that accompany the lines of action allow the development of a powerful social economy through:

- Training for the creation of micro-enterprises, new forms of cooperatives, peasant enterprises accompanied by complementary measures in financial matters, technical assistance, training, marketing, reforms and regulations.

- Industrial diversification and promotion of its growth as fundamental factors of fiscal sustainability, by producing a significant increase in the collection of non-oil taxes
  - Stabilization of the exchange rate to support fiscal sustainability.
2. The Economic and Social Development Plan of the Nation 2007-2013 establishes the guidelines to build the socialism of the 21st century in Venezuela. The objectives of the plan are to increase employment and eliminate social division, the hierarchical structure and the disjunctive between the satisfaction of human needs and the production of wealth subordinated to the production of capital. This plan cites new forms of economic organization, inspired by community and social solidarity values (cooperatives, social production companies, social production units).
  3. The Economic and Social Development Plan of the Nation 2013-2019 is a legal instrument of the Law of the Plan of the Fatherland. One of its objectives is to continue building the Bolivarian socialism of the 21st century as an alternative to the savage capitalist system.

The *National Institute of Small and Medium-sized Industry* (INAPYMI) implements different programs and it cooperates with other public agencies that provide assistance through microfinance, training and education (Figure 1).



Source: Graterol and Rondón (2011)

**Figure 1** National System for the Promotion of the SME in Venezuela.

The Innovation Program for Endogenous Development technologically supports micro-enterprises, SMEs, cooperatives and productive units with the capacity to substitute imports, providing technical and financial assistance for innovation projects with the support of the state-owned company *Petróleos de Venezuela*. The *Confederation of Industrialists of Venezuela* is a public institution that brings together large, small and medium-sized industries, providing business services and technical assistance for more than forty years.



According to the *Inter-American Development Bank*, CONINPYME was established to train SMEs in good management practices, quality management systems, environment, safety and health at work, food safety, ISO standards, development of suppliers and distributors, export, support, energy efficiency, legal advice and social responsibility. In addition, *the National Fund for Reciprocal Guarantees for Small and Medium-sized Enterprises* is the governing body of the *National System of Reciprocal Guarantees* and has the function of advising its users and applying a set of rules that coordinate cooperation among its members (SMEs, financial entities and public, national, regional and municipal entities). It develops effective guarantee systems that facilitate access to credit from the financial system and from public and private lenders.

In addition to developing plans, Venezuela has defined seven zones of endogenous development (Central, Western, Western, Eastern, Eastern, Guiana, and Insular Territory). These areas mainly use local resources, their productive activity is made up of small companies linked to local capital, belonging to traditional industries, the technology sector and the services sector, which usually hire a large quantity of the skilled artisanal workforce with the ability to adapt to work, they tend to be under the control of local authorities to ensure the viability of their production processes, they depend on economic and social coordination between stakeholders and the authorities, and are often halfway between individual initiatives and the official support.

The analysis on the FB that is developed below is conducted in the State of Mérida, which is an integral part of one of the most important endogenous development zones, the Western Andean Region. The development planning of this region is managed by the *Development Corporation of the Andes Region (CORPOANDES)*, an agency attached to the *Ministry of Popular Power for Planning and Development* that developed the *Development Plan for the Andean Region* in 2005. This plan sought to consolidate the economic and social potential of the Andean lands, encourage the creation of a new productive product linked to the social economy and support entrepreneurs who contribute to regional development. Currently, an update of this plan is being prepared, whose objective is to articulate an *Integral Development Plan* that coordinates the sectoral, local and development plans, giving a functional regional structure to all the Andean territory. Its purpose is to strengthen the productive development of the sub-regions, with industrial parks and social production companies, and to support the popular organizations integrated as productive partner companies.

Despite the clarity in terms of objectives and the route to follow outlined in these plans, they are nowadays fiscally unsustainable, and meanwhile, partially detained and/or not executed (Graterol and Rondón, 2011). It has been mainly due to an excessive increase of the size Venezuelan State and its hypertrophy, exacerbated rentism and controls, and institutional weakness; all these translated into increasingly tight spaces for private initiatives (Curiel Léidenz, 2015; López Maya, 2016), that finally became in a political, economic, humanitarian and social crisis in the country.

## **4. Hypothesis and Method**

### **4.1 Hypothesis**

This paper and its correspondent methodological section are based on partial results derivate of an exhaustive research made by Briceño (2015). Thus, based on these premises (above described), the hypotheses proposed are the following:

H1. The companies, in the State of Mérida are, basically, FBs and have an important job creation capacity that contributes to regional development.

H2. The FB is a micro company more than ten years old that develops its activity in the commercial sector, and whose owners and/or managers have low levels of qualification. The NFB usually develops its activity in a more diversified way, has a relatively larger size and has professional managers with higher qualifications.

H3. The FB contributes to the local economy to a greater extent than the NFB through the payment of national and municipal taxes, compulsory social contributions and purchases and sales in its local environment.

H4. The FB is more involved than the NFB in the community where it operates, contributing socio-environmentally to its environment (they distribute benefits of different kinds to the workers, they use environmentally friendly practices).

H5. The FB is not very innovative compared to the NFB, the FB only introduces improvements in its goods and services in response to the demands of its customers.

H6. The FB has more relations than the NFB with the institutions and other local companies (it accesses the financing more easily, it establishes cooperation agreements with relevant institutions of the environment and it receives services of diverse nature from the companies and institutions of its environment).

### **4.2 Population and sample**

According to the IV Economic Census, the total number of companies in the State of Merida (Venezuela) is 21,208 companies. For reasons of cost, accessibility and representativeness, only five of the twenty-three municipalities in the region (Alberto Adriani, Campo Elías, Libertador-capital of the State, Sucre and Tovar) make up the population under study, in which 16,511 companies accounted for 77.9% of all companies in the region in 2010. To analyse the characteristics of these companies, the representative sample size of this population was calculated, applying a stratified probabilistic sampling, segmented by economic activity. The resulting sample was composed of 237 companies, 95% confidence and  $\pm 5\%$  sampling error, the probability of  $p = .81$  and  $q = .019$ .

### **4.3 Instrument**

To collect the information, a structured questionnaire was prepared with five content blocks (in the Appendix 1).

- General characteristics of the companies.

- Aspects related to the local economy.
- Aspects focused on the socio-environmental field.
- Aspects associated with innovation.
- Aspects regarding their relationship with institutions and other companies

#### 4.4 Applied statistical techniques

Firstly, FBs were identified as those companies that simultaneously fulfilled the following three criteria: ownership, administration/management and continuity. In Table 2 it can be seen that, with respect to the ownership criterion, 81.4% of the companies report that the family group currently owns more than 50% of the shares and, from the beginning of the activity to the present, 78.9% say that the ownership is still in the hands of the same family group.

**Table 2** Ownership, management and continuity of the enterprises

Current ownership of the companies		Frequency	Percentage
Is there currently a family group that owns more than 50% of the company's shares?	Yes	193	81.4
	No	44	18.6
Ownership of companies since the beginning of the business		Frequency	Percentage
Ownership of companies since the beginning	Yes	187	78.9
Since its inception, has the ownership of the company been maintained by the same family group?	No	50	21.1
Ownership of companies in the future		Frequency	Percentage
Do you consider that the intention of the owners or partners is to keep the ownership of the company in the hands of the same family group?	Yes	182	76.8
	No	55	23.2
Current management of the companies		Frequency	Percentage
Are the managerial functions of the company mainly in the hands of the members of this family group?	Yes	188	79.3
	No	49	20.7
Management of the companies from the beginning of business		Frequency	Percentage
Since the beginning of the economic activity of the company, has this group exercised its management?	Yes	190	80.2
	No	47	19.8

Regarding the criterion of continuity, 76.8% of the companies express their intention to keep the ownership in the hands of the same family group in the future. Regarding the third criterion, currently 79.3% of the companies are managed by members of the family group and, from the beginning of the activity until now, the same family group has exercised the management of the company in 80.2% of the companies. The number of companies that met all three criteria was added, resulting in a total number of 176 FBs (Table 3) accounting for 74.3% of the sample. This situation demonstrates the importance of this type of company in the economic activity of the State of Mérida.

**Table 3** Simultaneous affirmative responses in each element and total result (Frequency)

Ownership			Management		Continuity
current	initial	future	current	initial	future
193	187	182	188	190	182
	179			187	182
176					

Secondly, to evaluate whether there are significant differences between the FB and the NFB (dependent variable) and the answers to the five question blocks of the questionnaire (independent variables), a contingency table was prepared and the Chi-square test was applied. If the probability is less than .05, the observed distribution does not behave like the expected distribution and there are significant differences between the FB and the NFB.

Thirdly, a Binary Logistic Regression Model (MRL) was constructed to express the probability that an event will occur ( $Y =$  being FB) that is a function of certain explanatory or control variables ( $X$ ). This model will evaluate the probability that the dichotomous variable, which represents, in a logarithmic scale, the difference between the probability of alternative 1 ( $1 =$  FB) and its opposite 0 ( $0 =$  NFB), is an FB associated with the explanatory or control variables that were significant in the Chi-square test.

$$\ln \frac{P_i}{1 - P_i} = \beta_0 + \sum \beta_z X_{zi}$$

$p_i$ :  $1 =$  FB y  $0 =$  NFB

$1 - p_i$ :  $1 =$  NFB y  $0 =$  FB.

$X_{zi}$ : Value of the explanatory variable  $z$  for each company.

$\beta$ : Value of unknown parameters to estimate.

Only independent variables that, once included, have a statistically significant predictive capacity will be admitted. In order to do this, backward method or progressive elimination is used, that is, from a saturated model that contains all the variables, the explanatory variables that are not statistically significant are eliminated from the model, whose value of the Wald statistic is lower and closest to zero.

## 5. Results

### 5.1 Chi-square test

The results in percentages of the contingency table and the Chi-square test are shown in Table 6 of the Appendix. Before explaining the results that were significant in each block, it is necessary to point out that, in the part of the questionnaire which focused on aspects of the companies associated with innovation, only 72 companies of the 237 (around 30%) state that they have introduced innovations, therefore the rest of the answers in this block of questions do not represent the population under study, but it does show that companies in the State of Mérida are not especially innovative, with no significant differences between FB and NFB (in both cases they innovate in a diversified manner). The three types of

innovation most mentioned by the FB are introduction of new or improved services, changes in the organization of work, and introduction of new or improved sales methods. With regard to the NFB, these are introduction of new or improved services, introduction of new or improved products, and changes in the organization of work.

In the rest of the aspects included in the questionnaire, differences were detected between FB and NFB in 16 variables (Table 4).

The most outstanding differences in the general characteristics are:

Legal status. 59.1% of the FBs are registered as sole proprietorships in the name of the owner, while 52.5% of the NFBs are limited companies.

- Contribution to employment (measured by the variation in the number of employees compared to the previous year). The FB provided more employment for the community, creating 29% of new jobs, compared to 9.8% in the case of the NFB. If we add the percentage of employment that is maintained and the new employment that is created, the FB contributes to employment (84.1%) to a greater extent than the NFB (77%).
- Educational level of the owners and/or managers. The educational level is lower in the FB than in the NFB, since 40.3% of the owners and/or managers of the FB have university education, compared to 55.7% in the NFB.
- Number of owners and active members. 100% of the FB has a maximum of 5, compared to 93.4% of the NFB in the same category.
- Business size. The FB has a smaller size than the NFB. 73.9% of the FBs are small companies (between zero and five workers), while 49.2% of the NFBs have between 6 and 20 workers.

**Table 4** Significant results of Chi-square Test

General aspects	Value	df	Asymptotic Sig.	Exact Sig.
Legal Status	23.477	6	.001	.001
Contribution to employment (change in number of employees compared to the previous year)	9.307	2	.010	.009
Educational level of the owners and/or managers of the company	4.352	1	.037	.051
Number of owners and active partners	11.739	2	.003	.004
Business Size	18.002	2	.000	.000
Aspects related to the local economy				
Rural Property Tax (municipal)	9.835	1	.002	.004
Inheritance and Gift Tax (national)	10.701	1	.001	.003
Aspects related to the social field				
Contributions to the community: Sports programs	9.988	1	.002	.002
Contributions to the community: Educational Programs	4.895	1	.027	.031
Contributions to the community: Recreational Programs	6.279	1	.012	.017
Salaries and Wages	3.919	1	.048	.063
Productivity Bonus	9.367	1	.002	.004

<b>General aspects</b>	<b>Value</b>	<b>df</b>	<b>Asymp- totic Sig.</b>	<b>Exact Sig.</b>
Utilities	5.186	1	.023	.026
Christmas Bonus	5.453	1	.020	.025
Holiday bonus	5.766	1	.016	.018
Aspects related to the institutional field				
Business Management Training	5.166	1	.023	.053

With respect to the aspects related to their contribution to the local economy, few differences were found between FB and NFB in the payment of taxes, contributions and destination of purchases and sales. Only in two taxes are there significant differences: Rural property tax. The NFB contributes to the local economy with the payment of taxes on rural real estate (14.8%) to a greater degree than the FB (3.4%), and Tax on inheritance and donations. The NFB contributes more to the taxes of the national community on inheritances and donations (11.5%) than the FB (1.7%).

According to CEDICE (2013), these low rates of payment of national and municipal taxes are motivated by the problems of the Venezuelan economy that have a direct impact on tax collection. The abovementioned agency explains that the low collection is not due to low tax rates or tax evasion, but because there are few companies with good income and taxable profits and hardly any company exports (less than 99% in the case of companies that participated in this study). Most companies are very small in size, their prices are regulated / frozen, and their profitability is low or non-existent, as a result, they do not have to pay most of their tax obligations. However, both types of companies market their goods and services in local, regional, national and international markets, but make their greatest marketing efforts in local markets; regarding the origin of the purchases they behave in similar ways with special interest in the products of the local and national markets.

As regards the aspects focused on the socio-environmental field, their contribution to the community in sports, educational, recreational and cultural programs is relatively low, as well as certain benefits aimed at disadvantaged groups in the labour market and social contributions; however, the contributions are a little higher in certain benefits directed towards the worker. In the case of environmental practices, only two practices with high percentages are worth mentioning: the ecological practices carried out by the company on the handling and collection of toxic waste (98.4% NFB and 96.6% FB), and the sponsorship of environmental education campaigns (96.7% NFB and 97.2% FB). The most notable differences between the FB and the NFB are:

- Contribution to community sports programs. The contribution of the NFB is double (41%) that of the FB (20.5%).
- Contribution to community education programs. The contribution of the NFB is around 10 points higher (21.3%) than that of the FB (10.2%).
- Contribution to recreational community programs. The contribution is high in both types of companies, but there is a difference of 13 percentage points between the NFB (77%) and the FB (89.8%).



- Benefits distributed in cash to workers in salaries and wages. The NFB is 12 percentage points above the FB (88.5% and 76.7%, respectively), although in both cases its contribution is high.
- Benefits distributed to their workers in productivity bonuses. The NFB contributes to a greater extent than the FB (27.9% versus 11.4%), but with relatively low percentages in both cases.
- Benefits distributed to their workers in public services. The NFB contributes more than the FB (60.7% versus 43.8%).
- Benefits distributed to workers in Christmas bonuses. The NFB contributes 17 percentage points more than the FB (63.9% versus 46.6%).
- Benefits distributed to workers in vacation vouchers (67.2% versus 49.4%).

The reason why the FB do not pay their employees most of the compulsory and voluntary benefits foreseen in the Venezuelan laws is because there are few profitable companies. Most of the new jobs created are insecure, a practice used by employers to avoid long-term obligations with workers, such as accumulated social benefits and other contractual obligations. In addition, the whole Venezuelan legal system changes too frequently, which does not allow the creation of a legal and fiscal culture, and causes confusion, insecurity and fear in employers, harming the creation of more stable jobs.

Finally, relations with institutions and other companies are almost non-existent, with the exception of financing with the private sector (90.2% NFB and 82.4% FB). The only significant variable is related to the type of agreements or services received from institutions that promote innovation and entrepreneurship, specifically, training in business management, but their percentages are low (4.9% in NFB and 0.6% in FB).

## 5.2 Binary logistic regression model (LRM)

The LRM is constructed with the variables that have the greatest explanatory power. The resulting model contains two variables related to the characteristics of the company (business size and contribution to employment as measured by the increase in jobs from one year to another), and two variables related to the contribution of the company to the economy and the local community (national taxes: taxes on inheritances and donations and socio-environmental contribution through recreational programs). This model predicts 77.6% of the total number of companies studied and has a high predictive capacity because it correctly classifies 96% of FB. The statistical contrasts show the suitability of the model. The goodness-of-fit test of Hosmer and Lemeshow indicates that the overall fit of the model is good ( $p = .402$  indicates that it is not significant) and we cannot reject the null hypothesis that suggests there are no significant differences between the observed values and what the model predicts. The observation of the estimates is shown in Table 5.

The probability that a company is FB depends on:

- A very small business dimension. A company with six to twenty workers is less likely to establish itself as an FB than a company with five or fewer employees. The fact that the company has a large size (21 workers or more) was not statistically significant.

- Contribution to the creation of local employment. A company that increases the number of jobs every year is more likely to be FB. The companies that maintain employment but do not increase it from one year to the next were not significant.
- Contribution to the community. If the company carries out recreational programs aimed at the local community, this increases the probability that it is a FB.
- The payment of the national tax on inheritances and donations reduces the probability that the company is FB.

**Table 5** Estimation of the probability that a company is a FB

Variables		B	Standard error	Wald	df	Sig.	Exp (B) Lower limit	95% confidence interval for Exp(B) Lower limit    Upper limit	
Variables	Categories								
Business size	six to twenty (***)	-.903	.326	7.690	1	.006	.405	.214	.767
	More than 21	-.303	.676	.201	1	.654	.739	.197	2.777
Contribution to employment	The same	.502	.330	2.308	1	.129	1.652	.865	3.156
	Greater (***)	1.509	.523	8.330	1	.004	4.523	1.623	12.604
National taxes	Inheritance and gifts Yes (**)	-1.664	.771	4.658	1	.031	.189	.042	.858
Contribution to the community	Recreational Programs Yes (***)	.993	.304	10.652	1	.001	2.698	1.487	4.898

Source: Results of the SPSS from the data of the survey

Reference category: Business size: zero to five; Contribution to employment: less employment; National inheritance and gift tax: No; Contributions to the community through recreational programs: No. Number of observations: 237. Significant coefficients at 1% (\*\*\*) and 5% (\*\*)

## 6. Discussion and Conclusions

In this research, it is stated that the FB can be a key factor in the contribution to and revitalization of regional development in the Andean region of the State of Merida in Venezuela. This approach is part of a regional development model that understands that the small-sized company, especially the FB, is a key factor in areas of reduced territorial expansion. This type of company has characteristics that contribute to the establishment of the business in the region, while fostering interpersonal relationships with members of the community and strengthening their links and exchanges with other entrepreneurs through relationships based on trust.

The scant mention of the FB in the legal regulations of Venezuela is an indicator of the low level of importance that the governmental management gives this sector. The policies developed through plans and programs and the institutions involved have not managed to articulate a clear, systematic and permanent action for this important business sector. Venezuelan legislation contemplates actions that have not been applied, and the different plans have set out aims that change when the entity that should develop them changes. Likewise, the implementation from 1999 of a socialist productive model, with community and social principles having priority over traditional private activity, has particularly negative effects on private agents. In addition, Venezuela does not have official figures on FB, which is an obstacle to a deep analysis of the role that these companies have in regional development and for an opportune and adequate diagnosis of their situation and evolution by public administrations. The present study is a contribution to knowledge about these companies and can help the design of public action lines that enhance the role of the FB as a key factor in regional development.

It was stated in the first hypothesis that companies in the State of Mérida are, basically, FB and they have an important job creation capacity that contributes to regional development. This first hypothesis is fulfilled because the FBs are more numerous than the NFBs, and they account for around 75% of the total number of companies analysed. In addition, approximately half of the FB maintains their levels of employment, and, about a third generates new jobs, so that their contribution to employment is important and is greater than the contribution of the NFB. These results are in agreement with those of Casillas et al. (2013) who point out that the FB always tries to preserve jobs, even in times of crisis. However, this percentage is lower average in Venezuela (Exaudi 2011), so governments need to act by designing lines of public action that promote stability, and the continuity of these companies in the region to preserve employment at the same time.

In the second hypothesis, it was stated that the FB in the State of Mérida is characterized as a small company and more than ten years old that develops its activity in the commercial sector, and whose owners and/or managers have low educational levels. The results suggest that this hypothesis is partially fulfilled. The business size of the FB is predominantly small and smaller than the NFB, the type of activity that it develops is commercial, and the educational level of the owner and/or administrator is relatively low. However, the hypothesis is not fulfilled regarding the age of the company, since approximately 2/3 of the FB report that they have been open for a maximum of 10 years. This situation of the companies in Mérida is contrary to the arguments of Bustillo (1999) who states that the Venezuelan FB has a long term projection, although these arguments were made in a markedly different economic context to the one that exists in Venezuela at present. Regarding the educational level, the results are in line with the results of Biosca (2003), Giménez Sánchez (2002), Poza (2005) or Rienda and Pertusa (2002); the transfer of control is governed by different criteria depending on whether it is FB or NFB, and the level of education is usually relatively lower in the FB because the selection of the successor is usually based on subjective criteria linked to ties of affectivity.

The third hypothesis was that the FB contributes more to the local economy than the NFB in terms of the payment of national and municipal taxes, compulsory social contributions

and purchases and sales in its local environment. This hypothesis is partially fulfilled. Only significant differences were detected between FB and NFB in two taxes (national tax on inheritances and donations and municipal tax on rural properties), with their contribution being very low. This behaviour is explained because, particularly in Venezuela, the low propensity to pay contractual commitments has the same explanation as the low tax collection; the problems of the Venezuelan economy affect the decision of businessmen to assume less obligations and legal commitments. This situation is compensated for because their greatest marketing efforts are in local markets both in the sale of products and in the purchase of raw materials and other goods and services.

The fourth hypothesis stated that the FB is more involved than the NFB in the community where it operates, contributing socio-environmentally to its environment. Although Herrera et al. (2014) did not find significant differences between FB and NFB in terms of CSR, this hypothesis in the present study is not fulfilled because the FB has a relatively smaller participation in the community than the NFB, except for their participation in recreational programs and their positive contribution to the payment of compulsory and voluntary benefits to their workers; in terms of their ecological practices and the care of the environment, they are quite limited, they only stand out in the collection of toxic waste and in the sponsorship of information campaigns that contribute to environmental education.

The fifth hypothesis was that the FB is less innovative than the NFB, because it only introduces improvements in its goods and services in response to the demands of its clients. This hypothesis is partially fulfilled. López et al. (2012) found arguments in favour and against the fact that the FB can be very innovative. This study highlights both arguments; on the one hand, the FB is a conservative company with little innovative capacity; on the other hand, few companies introduce innovations in their businesses, but those companies that do innovate go beyond an improvement imposed by the demand of their clients, because they diversify their innovations. The educational level of the owner/manager of the FB affects the qualitative and quantitative impact of the innovation, hence the importance of the qualification of its human resources. Pérez (1996) considers that it is about having managerial common sense, which translates into starting with simple innovations: using ICT to enhance exchanges, streamline processes, bring the company closer to customers in situations where the use of time is a strategic factor and improve the image of business.

The sixth hypothesis said that the FB has a stronger relationship than the NFB with the institutions and other local companies. The results show that the sixth hypothesis is not met and, in general, highlights the low level of relationship with other public and private agents. The only variable with high percentages is the one that refers to the financing received by the private sector, but this is a common practice of companies, what is noticeable is the low demand for public financing. Regarding the differences between FB and NFB, the only variable that was significant is the one that leads to agreements for training in business management, although their percentages are low. Although the underlying potential of the FB is their capacity to generate social capital in an almost natural way, based on the confidence achieved throughout their trajectory and continuity through different family generations, the low level of relations with the government, public institutions, universities and other companies are proof of the loss of a valuable opportunity of the companies in

Mérida. These results go in the opposite direction to those found by Anderson et al. (2003) and Baù et al. (2019).

Finally, the probability that a company enters the Mérida market and is a FB increases when it is a small company, which contributes to local employment by increasing its staff, does not pay the national tax on inheritances and donations, and contributes to the community participating in recreational programs. The fact that only these four variables are the ones that differentiate the FB from the NFB leads to the conclusion that the development of the activities this region unfolds in an environment of intertwined socio-family relationships.

It should be mentioned that these results are derived from the study of a reality that corresponds to a place and a time with very particular features. Given that Venezuela is accelerating the speed of its economic, political and social changes, which shape the environment of the FB, these conclusions must be considered with moderation and adapted to the circumstances of each moment. This work is a first approach to the study of this important business sector in the State of Merida.

## 7. Recommendations

The following is a summary of some recommendations that may serve as a basis for designing public programs and plans to support the Venezuelan FB.

Venezuela, as one of the countries of Latin America, requires new development alternatives. The situation in Venezuela starts from a considerable delay, hence the FB model can form a productive fabric that is more easily integrated into the regional productive system, through linkages of supply and demand that stimulate confidence in periods of crisis. This model of development places the FB at the centre of the model and can be attained with development processes from below, because this increases the self-esteem of the local community that participates in the achievement of good results. The current problems that Venezuela has to face have significantly reduced the number of companies in the country. The largest private companies have been nationalized, which then incurred losses and, therefore, they have not had to pay the majority of taxes they did pay when they were in private hands; the companies that still exist are very small and do not generate enough income to make their profits taxable. All this is compounded by poor public services (electricity, ports, road maintenance), as well as the lack of confidence to invest in the country, creating a scenario of high adversity for the creation and consolidation of business activity. Hence the importance of designing public action lines aimed at improving the infrastructure of the region. Most of the new jobs are essentially insecure, a practice with which companies use to avoid long-term contractual obligations such as accumulated social benefits. The majority of the private companies that subsist have to place their production in regulated markets, which means their profitability is low or non-existent; consequently, they do not pay taxes based on the level of economic activity. This scenario in which Venezuelan companies operate has an inexorable repercussion on the business behaviour regarding the payment of contractual and fiscal obligations.

Regarding the actions related to community contributions of a voluntary nature, there is a lack of involvement of the FB in ecological practices and care of the environment, and

low innovative capacity. It would be useful for government programs to include training courses on CSR practices and the creation of business networks that allow for the expansion of good innovative practices among entrepreneurs in the region.

Another issue is that the FB does not usually request public funding. This practice limits their expansion and growth, and increases the cost structure, since private financing tends to be more expensive than public financing. It would be worthwhile reconsidering this managerial practice, given the network of public institutions that offer loans. Nor does the FB usually have cooperation agreements or receive business or educational services from other agents in the region that provide support, advice or other services to companies. Hence, it is recommended that the FB improve their relationships with public and private agents in the region, thus enhancing their competitive advantage based on the spatial proximity that allows them to enjoy material factors associated with the territory (physical, technical, industrial, urban infrastructure etc.), and present and potential immaterial factors (cultural heritage, know-how, young population and educational centres). The promotion of this can enhance cooperation and the development of strategic alliances.

Finally, a series of more concrete recommendations are put forward.

1. Take advantage of the varied university supply of the State of Mérida and expand the offer, according to the demand, to improve the qualifications of the owners/managers. The existing services in many cases are offered at a low cost, and are sometimes even free.
2. Ask the Mérida Technology Park Corporation (CPTM) the Business Incubators and Business Innovation Centres, for training or advice to improve the technology and communication resources in the FB, as well as nurseries for of basic technology projects as a strategy of entrepreneurship and innovation in new or improved businesses.
3. Promote cooperation and service provision agreements between the FB and the training centres, such as the Mérida Technology Park Corporation, through the Centre for Innovation and Business Modernization; the Business Incubator Project and the Technology Centre; FUNDACITE-Mérida; the University de Los Andes and other institutions of higher education, with the aim of improving the productive capacity and competitiveness of FB workers.
4. Ask for financial support from the Intergovernmental Fund for Decentralization (FIDES) to finance projects and productive investment activities that promote the sustainable development of the community (infrastructure works framed within the national development plans, specific services for local life, risk or catastrophe prevention activities, projects oriented to conservation, defence and maintenance, sanitation, recovery and monitoring of the environment and natural resources, formulation of projects or pre-investment studies, projects aimed at financing science and technological innovation areas).
5. Take advantage of financial instruments to support innovative products of FIDES, the Law for the promotion and development of the popular economy or the Law for the promotion and development of small and medium-sized industry and social ownership units.



6. Reach cooperation agreements with government agencies to achieve substantial improvements for facing problems such as: inadequate transport infrastructure, lack of good access roads to the State from other federal entities in the country, provision of basic services (water, electricity, gas, garbage, dredging and sewerage systems and insecurity). The FB would act as a promoter of development and the results would translate into benefits for them and for the local population.
7. Incorporate innovations in the purchasing processes by forming alliances with suppliers or with other companies and institutions; this, in turn, can contribute to the reduction or solution of the infrastructure problems referred to above.
8. Initiate actions for environmental care with the competent bodies in the region, an aspect that would help to improve their image and would make them pioneers in practices for the preservation of the natural environment benefiting the community.
9. Support their commercial operations in the ZOLCCYT-Mérida as a strategic instrument of fiscal policy and foreign trade, to stimulate and promote the production of cultural, scientific and technological goods and services.
10. Increase the use of ICTs to boost their online purchase and sale operations. A progressive adoption of ICTs can mitigate the threat related to transport infrastructure and commercialization over land, as well as improve communication and exchanges with their suppliers and local and foreign customers.
11. Take advantage of the opportunities already foreseen in *Venezuela's endogenous and sovereign development model*. This instrument contemplates the different levels of participation of the organized communities, which range from the Federal Council of Government, the State Council of Planning and Coordination of Public Policies, the Local Public Planning Council, the Parochial Planning Council, the Communal Participation and Planning Council to Citizens and civil organizations. These levels would be mechanisms that would allow the efficient use of productive factors and achieve competitive levels of productivity in the markets. A strategic line of action is socio-business development through the support of the FB and the creation of cooperatives, micro-enterprises, development of productive chains, financial incentives, technical assistance or development of financial markets. This last point supports the final specific objective of this work, in the sense of channelling the activity of the Merino FB as one of the driving forces of the regional development of the State.

It would be worthwhile addressing, in future studies, the demographic analysis of Venezuelan companies, especially the FB, to know their business dynamics and their ability to create jobs (high, low, permanence), disaggregated by business size and branch of activity. This would allow an in-depth understanding of other characteristics to complement the information presented here.

### **Disclosure and Conflicts of Interest**

The authors have not reported any potential conflict of interest in relation to this article.

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**Appendix 1: Crosstabs, by FB/NFB**

Significant variables in the Chi-square Test have been indicated with \*

<b>Groups</b>	<b>Variables</b>	<b>Categories</b>	<b>NFB</b>	<b>FB</b>
General characteristics	*Legal status (denomination under the Venezuelan laws)	Single-person	31.1	59.1
		Anonymous Company	52.5	33.5
		Anonymous Society	1.6	1.1
		Limited Responsibility Society	.0	1.7
		Cooperative	3.3	.0
		Civil Association	6.6	1.1
		None of the above	4.9	3.4
	Economic activity	Manufacturing Industry	6.6	3.4
		Commerce	63.9	60.8
		Construction	0.0	2.8
		Services	29.5	33.0
	Years of the company in business	Less than or equal to ten years	62.3	70.5
	Total number of employees	More than ten years	37.7	29.5
		Microenterprise (0-5)	68.9	82.4
Small (6-20)		27.9	14.2	
Medium and Large (>21)		3.2	3.4	
*Contribution to employment (variation of the number of employees with respect to the previous year)	Less employment	23.0	15.9	
	The same employment	67.2	55.1	
	More employment	9.8	29.0	
*Educational level of the owners and/or managers	Without university education	44.3	59.7	
	With university education	55.7	40.3	
Type of worker	*Number of owners and active partners	(0-5)	93.4	100.0
		(6-20)	4.9	.0
		(>21)	1.6	.0
	Employees	(0-5)	70.5	84.1
		(6-20)	24.6	13.1
		(>21)	4.9	2.8
	Blue-collar workers	(0-5)	100.0	98.3
		(6-20)	.0	.6
		(>21)	.0	1.1
	Outsourcing	(0-5)	100.0	100.0
		(6-20)	.0	.0
		(>21)	.0	.0
	Temporary	(0-5)	100.0	99.4
		(6-20)	.0	.6
		(>21)	.0	.0
	*Total number of workers (business size)	(0-5)	44.3	73.9
		(6-20)	49.2	22.2
		(>21)	6.6	4.0

Groups	Variables	Categories	NFB	FB
Workers in special conditions	Adolescents	No	91.8	90.9
		Yes	8.2	9.1
	Handicapped	No	98.4	99.4
		Yes	1.6	0.6
	Disadvantaged	No	100.0	98.9
		Yes	0.0	1.1
Foreigners	No	93.4	95.5	
	Yes	6.6	4.5	
<b>Aspects associated with the local economy</b>				
Municipal taxes	Economic activity	No	23.0	20.5
		Yes	77.0	79.5
	Commerce or industry licence	No	14.8	17.6
		Yes	85.2	82.4
	Urban property	No	68.9	71.6
		Yes	31.1	28.4
	*Rural property	No	85.2	96.6
		Yes	14.8	3.4
	Vehicle licence	No	67.2	67.0
		Yes	32.8	33.0
	Commercial and industrial advertising	No	60.7	69.9
		Yes	39.3	30.1
	Urban waste management	No	85.2	79.5
		Yes	14.8	20.5
Other municipal taxes	No	98.4	96.0	
	Yes	1.6	4.0	
National taxes	Income	No	21.3	27.8
		Yes	78.7	72.2
	Value added	No	19.7	19.9
		Yes	80.3	80.1
	Company asset	No	80.3	86.9
		Yes	19.7	13.1
	*Inheritance and gift	No	88.5	98.3
		Yes	11.5	1.7
	Gaming	No	98.4	99.4
		Yes	1.6	0.6
	Alcohol and alcoholic beverage	No	95.1	96.6
		Yes	4.9	3.4
	Tobacco	No	95.1	97.2
		Yes	4.9	2.8
	Telecommunication services	No	75.4	77.8
		Yes	24.6	22.2
	Customs duties	No	91.8	94.3
		Yes	8.2	5.7
Other national taxes	No	96.7	98.3	
	Yes	3.3	1.7	



Groups	Variables	Categories	NFB	FB	
Amount of the sales, paid by Income tax and by remuneration to labour (Bs.)	Amount paid in concept of Income tax	≤100,000	91.7	87.8	
		>100,000	8.3	12.2	
	Amount of gross sales according to the ISLR declaration	≤10,000,000	84.6	85.7	
		>10,000,000	15.4	14.3	
Amount of remuneration to labour according to the ISLR declaration	≥4,000,000	≥4,000,000	88.5	83.6	
		>4,000,000	11.5	16.4	
	Local markets	≤25	≤25	11.5	8.5
			26-50	9.8	6.3
51-75			8.2	9.7	
76-100			70.5	75.6	
Regional markets	≤25	≤25	83.6	89.2	
		26-50	11.5	8.0	
		51-75	1.6	2.8	
		76-100	3.3	0.0	
National markets	≤25	≤25	91.8	92.0	
		26-50	4.9	4.5	
		51-75	1.6	0.6	
		76-100	1.6	2.8	
International markets	≤25	≤25	98.4	99.4	
		26-50	1.6	0.6	
		51-75	6.6	6.8	
		76-100	32.8	31.3	
Origin of purchases (%)	Local markets	≤25	55.7	55.7	
		26-50	4.9	6.3	
		51-75	6.6	6.8	
		76-100	32.8	31.3	
	Regional markets	≤25	80.3	75.6	
		26-50	6.6	15.3	
		51-75	3.3	2.8	
		76-100	9.8	6.3	
	National markets	≤25	57.4	51.1	
		26-50	8.2	16.5	
		51-75	9.8	8.0	
		76-100	24.6	24.4	
International markets	≤25	93.4	90.3		
	26-50	0.0	4.5		
	51-75	1.6	2.3		
	76-100	4.9	2.8		
Aspects from a socio-environmental point of view					
Contributions to the community	*Sports programs	No	59.0	79.5	
		Yes	41.0	20.5	
	*Educational programs	No	78.7	89.8	
		Yes	21.3	10.2	
	*Recreational programs	No	23.0	10.2	
		Yes	77.0	89.8	
	Cultural programs	No	75.4	83.5	
		Yes	24.6	16.5	
	Other programs	No	90.2	93.2	
		Yes	9.8	6.8	

Groups	Variables	Categories	NFB	FB
Employee benefits given by the company to its employees in cash	*Salaries and wages	No	11.5	23.3
		Yes	88.5	76.7
	Overtime payment	No	47.5	61.4
		Yes	52.5	38.6
	Transport bonus	No	18.0	13.1
		Yes	82.0	86.9
	*Productivity bonus	No	72.1	88.6
		Yes	27.9	11.4
	*Utilities	No	39.3	56.3
		Yes	60.7	43.8
	*Christmas bonus	No	36.1	53.4
		Yes	63.9	46.6
	*Holiday bonus	No	32.8	50.6
		Yes	67.2	49.4
	Commissions	No	65.6	73.9
		Yes	34.4	26.1
Housing allowance	No	75.4	81.8	
	Yes	24.6	18.2	
Savings allowance	No	98.4	98.3	
	Yes	1.6	1.7	
Other employee benefits in cash	No	91.8	92.6	
	Yes	8.2	7.4	
Employee benefits given by the company to its employees in kind	Food	No	78.7	84.7
		Yes	21.3	15.3
	Drinks	No	86.9	90.3
		Yes	13.1	9.7
	Housing and services	No	98.4	97.7
		Yes	1.6	2.3
	Clothing and footwear	No	98.4	97.7
		Yes	1.6	2.3
	Others employee benefits in kind	No	98.4	97.2
		Yes	1.6	2.8
Other mandatory employee benefits given by the company to its employees	Mandatory social security tax	No	52.5	65.3
		Yes	47.5	34.7
	Housing Policy Law	No	68.9	73.3
		Yes	31.1	26.7
	National Institute of training and Socialist Education (INCES in Spanish)	No	82.0	82.4
		Yes	18.0	17.6
	Involuntary unemployment	No	82.0	81.3
		Yes	18.0	18.8
	Pension plans	No	98.4	98.3
		Yes	1.6	1.7
	Sections for payment of social benefits	No	83.6	91.5
		Yes	16.4	8.5
	Contingency fund	No	95.1	97.7
		Yes	4.9	2.3
	Others mandatory employee benefits	No	96.7	98.9
		Yes	3.3	1.1

Groups	Variables	Categories	NFB	FB
Other voluntary employee benefits given by the company to its employees	School scholarships	No	96.7	98.3
		Yes	3.3	1.7
	Dining-room	No	100.0	97.7
		Yes	0.0	2.3
	Medical attention	No	93.4	92.0
		Yes	6.6	8.0
	Support programs for women	No	100.0	98.3
		Yes	0.0	1.7
	Provision of medications	No	90.2	96.0
		Yes	9.8	4.0
	Childcare	No	95.1	96.6
		Yes	4.9	3.4
	Loans for financing housing	No	98.4	98.9
		Yes	1.6	1.1
	Training Program	No	88.5	90.9
		Yes	11.5	9.1
	Others voluntary employee benefits	No	95.1	97.7
		Yes	4.9	2.3
Ecological practices performed by the company	Use of raw materials and biodegradable products	No	93.4	92.0
		Yes	6.6	8.0
	Collection and sorting of rubbish	No	78.7	81.8
		Yes	21.3	18.2
	Handling and collection of toxic waste	No	1.6	3.4
		Yes	98.4	96.6
	Energy saving strategies	No	90.2	85.2
		Yes	9.8	14.8
Other ecological practices	No	96.7	100.0	
	Yes	3.3	.0	
Environmental care participation on behalf of the company	Care and/or reforestation of parks and natural spaces	No	98.4	96.0
		Yes	1.6	4.0
	Sponsorship of educational campaigns for the conservation of the environment	No	3.3	2.8
		Yes	96.7	97.2
	Membership of organizations committed to conserving the environment	No	100.0	98.9
		Yes	.0	1.1
Other environmental conservation actions	No	98.4	100.0	
	Yes	1.6	.0	
<b>Aspects associated with Technology and Innovation</b>				
Innovations (237 companies consulted, only 72 companies answered YES)	Innovations introduced in processes, products, services or organizational structure	No	68.9	69.9
		Yes	31.1	30.1
Types of innovations introduced in processes, products, services or organizational structure (these results are obtained from the 72 companies that answered YES to innovations)	New/improved products	No	31.6	56.6
		Yes	68.4	43.4
	New/improved services	No	15.8	28.3
		Yes	84.2	71.7
	New/improved manufacturing methods	No	84.2	84.9
		Yes	15.8	15.1
	New/improved distribution systems	No	73.7	81.1
		Yes	26.3	18.9

<b>Groups</b>	<b>Variables</b>	<b>Categories</b>	<b>NFB</b>	<b>FB</b>
Technological resources available in the company	New/improved management systems	No	73.7	52.8
		Yes	26.3	47.2
	Changes in the work organization	No	52.6	37.7
		Yes	47.4	62.3
	Changes in relations with other companies	No	68.4	69.8
		Yes	31.6	30.2
	Modifications in the design and the presentation of products/ services	No	63.2	49.1
		Yes	36,8	50,9
	New/improved sales methods	No	63.2	45.3
		Yes	36.8	54.7
	Internet	No	54.1	60.2
		Yes	45.9	39.8
	E-mail	No	60.7	63.6
		Yes	39.3	36.4
Web page	No	86.9	86.9	
	Yes	13.1	13.1	
Corporate Intranet	No	96.7	95.5	
	Yes	3.3	4.5	
Online shopping	No	95.1	88.6	
	Yes	4.9	11.4	
Internet sales	No	100.0	96.0	
	Yes	.0	4.0	
Strategies used by companies to compete in the market	Prices lower than the competition	No	52.5	48.3
		Yes	47.5	51.7
	Products other than those of the competition	No	54.1	61.9
		Yes	45.9	38.1
	Products aimed at a specific type of consumer	No	70.5	61.9
		Yes	29.5	38.1
Other strategies	No	98.4	99.4	
	Yes	1.6	.6	
<b>Aspects associated to other institutions (government, university, other enterprises)</b>				
Relationships with interlocutors in matters of financing	Financing received from the private sector	No	9.8	17.6
		Yes	90.2	82.4
	Financing received from the public sector	No	93.4	96.0
		Yes	6.6	4.0
Cooperation agreements	ULA	No	98.4	98.9
		Yes	1.6	1.1
	FUNDACITE-Mérida	No	100.0	100.0
		Yes	.0	.0
	CPTM	No	98.4	100.0
		Yes	1.6	.0
	ZOLCCYT	No	98.4	100.0
		Yes	1.6	.0
Other Cooperation agreements	No	96.7	99.4	
	Yes	3.3	.6	

<b>Groups</b>	<b>Variables</b>	<b>Categories</b>	<b>NFB</b>	<b>FB</b>
Business or educational services	ULA	No	98.4	98.3
		Yes	1.6	1.7
	FUNDACITE-Mérida	No	100.0	99.4
		Yes	0.0	0.6
	CPTM	No	98.4	98.9
		Yes	1.6	1.1
	ZOLCCYT	No	100.0	99.4
		Yes	.0	0.6
	Other Business or educational services	No	98.4	99.4
		Yes		
Types of agreements/ services	Business information	No	98.4	98.9
		Yes	1.6	1.1
	*Business management training	No	95.1	99.4
		Yes	4.9	0.6
	Technological management training	No	98.4	99.4
		Yes	1.6	.6
	Consulting	No	96.7	99.4
		Yes	3.3	0.6
	Innovation support	No	96.7	99.4
		Yes	3.3	.6
	Marketing support	No	98.4	98.3
		Yes	1.6	1.7
	Import/export support	No	100.0	100.0
		Yes	.0	.0
	Financial advice	No	100.0	99.4
		Yes	.0	.6
	Other types of agreements/services	No	100.0	99.4
		Yes	.0	.6