

## **Opening Remarks**

**Taeko Hoshino**  
Institute of Developing Economies  
JAPAN

## **I. Introduction**

It is our great pleasure to receive at this Institute distinguished scholars from academic institutions of Asia, Latin American and Japan, and to organize a workshop titled "Family Business of Developing Countries". Representing organizers of this workshop, I would like to express our gratitude to all of those who gathered here, especially to the invited speakers who had to endure long, long journey to Japan and also who are kind enough to send us the papers to be presented in the workshop on time.

As opening remarks of the workshop, I would like to explain our motive and what is expected from this workshop. To understand it well, it would be better to begin explaining the research activities at IDE.

## **II. Studies on Business Groups in Developing Countries at IDE**

The Institute of Developing Economies was established about 40 years ago as an academic institution to study the development problems of Asia, Africa, Latin America and the Middle East. From the initial days of the Institute, enterprises and entrepreneurs of developing countries have been one of the main topics which have attracted academic interest of researchers. One example of important contributions made by a researcher of the first generation at IDE was the study on business groups of India. Another group of important contributions made by the second generation was the studies on Korean Chaebol by Professor Tamio Hattori of University of Tokyo, those on Brazilian business groups by Professor Yoichi Koike of Takushoku University, and those on business groups of Thailand by Professor Akira Suehiro of University of Tokyo. They are our ex-colleagues, and all of them are invited as commentators of this workshop. I recognize myself as one of the second generation of IDE researchers, and I have studied Mexican business groups. In the middle of the 1980s a research project on business group in developing countries was formed. A part of its results was edited as the special issue of *Developing Economies*, English Journal of IDE, and its articles have been frequently referred to in bibliographies of this theme.

As important characteristics of those studies at IDE up to the beginning of the nineties, I would like to point out the following three. Firstly, the influence of Zaibatsu

studies. In Japan, there exists an abundant accumulation of studies on Zaibatsu, big business group of the pre- WW I period. In analyzing business groups in developing countries, we applied some ideas from Zaibatsu studies. The second point is the influence of Chandler's model. Chandler's model has had persistent influence in the academic circles in Japan, especially in the field of economic history and business administration. In the field of development studies, the adoption of the idea of Chandler's model was not so straight as the case of Zaibatsu studies. Big business groups in developing countries have grown to "modern corporations" without separation of ownership and management. The phenomenon has been interpreted as the deviation from Chandler's model, conditioned by economic, political and social circumstances of developing countries, and facilitated by innovative ability of entrepreneurs. The third characteristic is that they focused on the business groups under very specific conditions up to the beginning of the nineties: less globalized and less competitive market condition with more protection and/or intervention of the government. These conditions were interpreted as important factors which made business groups deviate from the path presented in Chandler's model.

### **III. The Research Project on Family Business**

About fifteen years after the former research project, we started once again a research project focused on big business groups in developing countries in 2001. The workshop is organized based on this research project. Compared with the former project, there are several novelties this time. Firstly, we now focus on "family", one important characteristic of business group of developing countries, because we consider that behavior, organization, strength and vulnerability of big business groups in developing countries cannot be fully understood without referring to the family who control them. The second novelty is that a younger generation of IDE researchers, the third generation, participate in the project, and brought in new methodology and approaches. Thirdly, we try to analyze family business consulting methodologies and approaches which have diffused in the last fifteen years in the world.

We identify three major approaches in analyzing family business. One is the prevalent approach from the school of business administration and business history which is represented by Chandler's model. Another is an approach from neo-classic economics which analyze agency problem and optimal corporate governance structure

of family business. The last approach which is recently gaining influence is the one from business administration, but for more pragmatic needs of consultation for family business. I am very satisfied to see that four papers to be presented in this workshop represent either of these approaches. I expect that we will exchange opinions from broad points of view.

The forth novelty is that we focus on family business in a recent period. Favorable conditions surrounding family business have been considered as one of important factors which explain their subsistence and development. Some of these conditions have been disappearing since 1997 in Asia, and earlier since 1982 in Latin America. Our interest is to see what is happening in family business under the newly emerging hostile conditions.

#### **IV. Objective of the Workshop**

Notwithstanding the successive economic crisis and fierce competition under the globalization, family business still seems to be a dominant form of firms in developing countries. Fundamental questions which we expect to be answered in the project are the followings. Can family business survive in the actual hostile condition, and will continue to be dominant? If the answer is "yes", why and how does family business survive, and what is the implication of their subsistence for the actual economic situation of the country and its future development. What is the perspective of emergence of any other forms of firm, for example, firm controlled by professional managers as Chandler's model discusses? We also have the following preliminary hypotheses, which are to be verified. The family business has the rationality and the efficiency of its own. The subsistence of family business is related to social, economic and political conditions of developing countries. The family business innovates their strategy and/or structure in order to adapt themselves to the changes of environment.

We invited four distinguished scholars, Dr. Kim Ky Won of Korea National Open University, Dr. Pavida Pananond of Thammasat Business School, Thailand, Dr. Celso Garrido of Metropolitan Autonomous University, Azcapotsalco Division, Mexico, and Dr. Fernando Lefort of Pontificate Catholic University of Chile. We ask the guest speakers to present their latest development of studies on large business groups of each country, approached from their own specialties, with additional request of referring to

one or several points of our research objectives and preliminary hypothesis that I mentioned before. All of them kindly accepted our request.

We assigned two commentators to each presentation. They are specialists of either Asia or Latin America. One of them is a specialist of the country to be presented, and the other one is a specialist of the other region. I consider that the presentation is the starting point of the discussion. I expect that the first commentator, who is the specialist of the same country, to contribute with additional insight based on findings of his own research. And I hope that the second commentator would broaden the scope of discussion observing the scene from the comparative point of view of the other region which has different economic, political and social settings. Residual time of each session is allotted to discussion for all participants. The last session is reserved for putting in order the discussion which will have been developed in the former sessions, and try to reach some conclusion.

In addition to three IDE ex-colleagues, we asked following specialists to present their comments. Professor Takashi Hikino of University of Kyoto. He is one of the leading disciples of Alfred Chandler of Harvard University. Professor Naofumi Nakamura of University of Tokyo. His specialty is economic history of the pre-WWII period of Japan, especially on development of Zaibatsu. Professor Yong-su Ko of Konan University. He is a specialist on Korean Chaebol, and we also ask him the role of commentator for the presentation of Dr. Kim. Professor Nakamura and Professor Ko are members of the Project. Professor Kazuhiko Nakagawa of Seijo University. He is a specialist on economic law of Latin America. Professor Watari Takeuchi of Tsukuba International University. He is a specialist of Argentine economy. Professor Nakagawa and Professor Takeuchi are informal members of the research project. I think that here gathered best members we can expect to discuss family business. Although it would be desirable to reach the conclusion to the questions and the preliminary hypothesis mentioned before, if we can have stimulating discussion and each participant can take back something new and useful for further development of their study, the major purpose of the workshop would be attained.