



Socioemotional wealth in volatile, uncertain, complex, and ambiguous contexts: The case of family firms in Latin America and the Caribbean

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ABSTRACT

The paradoxical nature of Latin America and the Caribbean (LAC) provides unique opportunities to advance management theory. Focusing on a dominant theoretical framework, Socioemotional Wealth (SEW), we argue that contextual features of LAC, namely the concept of extended family and the volatile, uncertain, complex, and ambiguous (VUCA) environment, make family businesses “SEW intensive” (i.e., high degree of preservation and enhancement of various aspects of SEW) and “SEW sensitive” (i.e., high degree of firm responsiveness to external factors that are SEW-relevant). In turn, these SEW features influence decision making and approaches to dealing with performance hazards and venturing risks. While we use LAC as a specific context, our theorizing and 12 propositions are also relevant to guide future research on other regions of the world, such as parts of Africa, Asia, and the Middle East, where the concept of extended family is widespread and a VUCA environment is also predominant. Overall, we use the characteristics of the LAC context to challenge existing assumptions, advance theory, and guide future empirical research on family businesses.

1. Introduction

Latin America and the Caribbean (LAC) is a peculiar region. Their societies have cultural specificities that arise from differences in their indigenous roots, immigration patterns, and diasporas (Gomez-Mejia et al., 2020; Meade, 2016). In spite of this heterogeneity, a similar colonial history across much of the region provides LAC with key commonalities in values and religion, language (except for Brazil and other former French, English, and Dutch colonies that do not speak Spanish as a primary language), legal structures (Aguinis et al., 2020; Cruz, 2020), as well as an abundance of natural resources (Vassolo et al., 2011).

From a business perspective, the LAC landscape is challenging (Aguinis & Joo, 2014). Businesses often face volatile macro-economic policies, political risk, high social and economic inequity, informal economies, poor-quality educational systems, and rising talent emigration, among other social challenges (Aguinis et al., 2020; Edwards,

2003; Gasparini et al., 2008; Gomez-Mejia et al., 2005; Vazquez et al., 2022). In addition, LAC's legal, market, and institutional frameworks are underdeveloped (Khouri et al., 2015; Nordqvist et al., 2011), whereby corruption, populism, and government inefficiency prevail (Gaviria, 2002). Nonetheless, amidst such adverse economic and institutional conditions, LAC countries have seen substantial economic growth over the last two decades and have been home to local and foreign multinational organizations (Cadena et al., 2017; Miller et al., 2001; Vassolo et al., 2011). Many LAC countries now fall in the moderate to upper middle-income range. While until recently most of LAC was under dictatorial or military rule, with few exceptions, democratically-elected governments now lead the majority of LAC countries. As a result, many consider LAC a paradoxical region (Lederman et al., 2014), opening opportunities to use LAC as a “natural laboratory for challenging the assumptions of existing theories or for creating new ones” (Aguinis et al., 2020: 618).

Most of LAC's private and publicly-traded corporations are

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controlled by families (Berrone et al., 2022; Mataiz, 2017; Vazquez, 2017), accounting for about 60 % of the LAC gross national product (IFERA, 2003) and over 80 % of total employment (Christensen-Salem et al., 2021). Yet, despite their economic relevance, research on LAC family firms is scarce relative to other emerging economies (Dinh & Calabro, 2019; Gomez-Mejia et al., 2020).

In this article, we propose that LAC provides an ideal context to advance Socioemotional Wealth (SEW) theory, a dominant framework in the study of family businesses (King et al., 2022). Rooted in the behavioral agency model (Gomez-Mejia et al., 2000; Wiseman & Gomez-Mejia, 1998), SEW assumes that family owners are commonly motivated by and committed to preserving their SEW (i.e., the affect-related value they have embedded in the business; Gomez-Mejia et al., 2011). While SEW has gained much popularity, given that approximately 1000 published articles have now used this theoretical framework, the role of context in how SEW manifests and its consequences remain poorly understood, especially in LAC (Aguinis & Joo, 2014). Studies applying the SEW logic to LAC family businesses (e.g., Christensen-Salem et al., 2021; Duran et al., 2017; Duran & Ortiz, 2020; Llanos-Contreras et al., 2020, 2022; Poletti-Hughes & Briano-Turrent, 2019; Poletti-Hughes & Williams, 2019), have borrowed arguments from settings which do not necessarily consider specificities of the LAC context. This is troublesome as SEW is prone to be deeply influenced by the institutional and cultural settings where family owners operate (Berrone et al., 2022).

Overall, our theorizing suggests that unique features of LAC are highly instrumental in improving our understanding of SEW. Specifically, in the following sections, we argue that these features influence: 1) *How SEW is understood and manifested by LAC family owners*; 2) *The extent to which underlying assumptions of the SEW approach hold in LAC*; and 3) *How the SEW approach may have to be modified to take into account the contextual nuances of the larger institutional and cultural milieu*. Concretely, we suggest that the notion of extended family, along with the volatile, uncertain, complex, and ambiguous (VUCA) nature of LAC, represent important cultural and institutional factors that make LAC family businesses “SEW intensive” (i.e., high degree of preservation and enhancement of various aspects of SEW) and “SEW sensitive” (i.e., high degree of firm responsiveness to external factors that are SEW-relevant). This conceptualization has implications for critical SEW assumptions, such as the firm’s concern for SEW, their primary reference point to define gains or losses for decision-making, and their behavioral responses to performance hazards and venturing risks.

In sum, LAC is an ideal natural laboratory to gain much-needed insights on how the context in which the family firm is embedded influences the expression of SEW and its effect on the firm, and to extend these insights to other regions of the world facing similar contextual conditions such as Africa, the Middle East, and Asia (James et al., 2020; Krueger et al., 2021; Sacristán-Navarro et al., 2022).

2. Rethinking the basics

2.1. The family concept in LAC

“Family” represents the SEW’s focal decision-making group (Swab et al., 2020). Therefore, to further understand the unique SEW dynamics in LAC, it is essential to examine the meaning of family in this region. As prior research suggests, the concept of family is not universal (Gomez-Mejia et al., 2001; Levin & Trost, 1992; Trost, 1990), and different societies perceive differently what they mean by the “family group” (Berrone et al., 2014; Cennamo et al., 2014; Naldi et al., 2013). For example, in most Anglo-American and European societies—with some exceptions in Spain, Portugal, and Italy (Corbetta & Montemerlo, 1999; Gomez-Mejia & Herrero, 2022)—the family represents the “nuclear structure” composed of a reduced group of direct relatives (i.e., parents and children; Segalen, 1986). However, in other societies, the family group is extended substantially (Georgas et al., 2001;

Kammerlander, 2022). In the particular case of LAC, people with relatively weak or no direct blood ties may still be considered part of the “family.” Therefore, the concept is embedded in a complex network formed by relatives, kin, and friends (Greif, 2008; Licht et al., 2006). Derived both from the influence of Catholicism and the cultural inheritance from the Iberian Peninsula (Gomez-Mejia & Herrero, 2022), the family goes beyond the parent-offspring nucleus to include a larger community: grandparents, uncles, aunts, cousins [first, second, third], nephews, and other relatives. Spanish terms non-existent in the English language, such as *compadre* (for men) and *comadre* (for women), specifically refer to non-blood-related quasi-family members that become part of the informal family clan (Gomez-Mejia & Herrero, 2022). Some of these non-blood related members are also often referred to as “Tía” (aunt) or “Tío” (uncle), similar to how it is done in China and other non-Anglo regions of the world (Aguinis & Roth, 2005).

Culturally, LAC is highly collectivistic, so individuals place more value on intimate relations and feel involved in the lives of other in-group members (Greif, 2008; Licht et al., 2006). Collectivism also induces individuals to prioritize loyalty and obedience to group norms instead of following their individual beliefs and rights (Husted & Allen, 2008). These cultural traits favor the conceptualization of families as “extended” ones (Sharma & Manikuttu, 2005). Bonds are not exclusively limited to family members but may be extended to trusted individuals from a broad set of constituencies (Firfiray & Gomez-Mejia, 2020, 2021; Li et al., 2015; Miller et al., 2009), including the community, customers, suppliers, employees, foreign investors, and other non-family members (Berrone et al., 2013; Cennamo et al., 2012). Consequently, the boundaries of family ties for Latinx/Latinos are far more permeable than in other cultural contexts (Gomez-Mejia & Balkin, 2007, 2015; Gomez-Mejia et al., 2020). In sum, we contend that the extended family structure would be an essential factor in a LAC family businesses’ perception and management of its socio-emotional assets.

2.2. The volatile, uncertain, complex, and ambiguous (VUCA) environment of LAC

The LAC context falls neatly under the “VUCA” acronym—volatility, uncertainty, complexity, and ambiguity (Ortiz & Vincent, 2021). Volatility is witnessed in the frequent and unpredictable changes (e.g., socio-economic instability), uncertainty in the unpredictability of outcomes (e.g., emerging business opportunities and threats), complexity in the elaborate nature of the environment (e.g., conflicting institutional forces), and ambiguity or doubts of the cause and effect of events (e.g., political changes) (Bennett & Lemoine, 2014).

The VUCA nature of LAC poses substantial economic, political, and social risks for LAC business life, which limit family firms’ capacity to grow, innovate, hire non-family employees, and attract external capital (Lansberg & Perrow, 1991; Parada et al., 2016; Pittino et al., 2020). Economically, LAC is affected by ongoing changes in macroeconomic policies, underdeveloped infrastructures, and financial and technological constraints (Edwards, 2003). Business opportunities fluctuate, and interest from foreign partners and investors is difficult to attract and predict (Khouri et al., 2015). From a socio-economic perspective, there is high inequity, instability in employment, and rising emigration of scarce talent (Aguinis et al., 2020; Aruj, 2008; Gasparini et al., 2008). Further, businesses are often vulnerable to sudden and unforeseen public policy changes and economic distortions resulting from those changes (Duran et al., 2017). In addition, there are prevalent institutional voids manifested in weak legal systems, corruption, fragile states, and vulnerable property rights (Castillo, 2002). As a result, a slow and inefficient regulatory context (Galve-Gorrioz & Hernandez-Trasobares, 2015) means that family businesses face important challenges in reaching contractual agreements and establishing relationships with external partners (Khouri et al., 2015). Further, the inefficiency of institutions and burdensome policies and laws increase costs and difficulties of participating in the formal economy, incentivizing the level of

informal activity (i.e., not regulated, not registered, and unprotected by the government; Bruton et al., 2012). Indeed, informal economic activity accounts for a sizable percentage of wealth in LAC (Schneider, 2000).

Paradoxically, despite the adversities of an ever-changing social, political, and economic VUCA setting (Ortiz & Vincent, 2021; Duran et al., 2017), many family businesses find success by being entrepreneurial (Arregle et al., 2021; Goel & Jones, 2016), innovating their competitive strategies (Martínez et al., 2000; Moreno-Gómez & Lafuente, 2020), and taking risks (Guillén & García-Canal, 2009). This suggests that a VUCA LAC also represents a chance for family leaders to capitalize on opportunities to do business (Bennett & Lemoine, 2014; Gomez-Mejia & Sanchez, 2007). As adaptability is critical in VUCA contexts, family leaders who can better interpret and master this chaotic environment to their advantage have a competitive advantage over others (Müller & Sandoval-Arzaga, 2021; Hayward et al., 2022).

3. Contextualizing SEW in LAC

As noted earlier, SEW captures family owners' affective endowment and is an overarching framework based on behavioral theories useful to predict family business processes (Hsueh et al., 2023; Neacsu et al., 2017). Therefore, contextualizing SEW research in the LAC context implies analyzing how its specificities (i.e., extended family and VUCA environment) jointly influence the meaning of SEW in the region, its main assumptions, and purported consequences.

3.1. Revisiting the concept of SEW in LAC

SEW theory has been extensively applied to settings in which the "family" follows the "nuclear" concept of Anglo-Saxon societies (Gomez-Mejia et al., 2020) and where family businesses appear less dependent on changes in the institutional context. In turn, these factors affect family owners' perception of controls, their identity, relationships,

emotions, and, essentially, the socioemotional assets that are valued and preserved (Gomez-Mejia et al., 2007).

The multidimensional FIBER model (Berrone et al., 2012) is currently the most popular method for operationalizing SEW (Gomez-Mejia & Herrero, 2022). FIBER includes five elements of the family's SEW: Family influence (F), Identification of family members with the firm (I), Binding social ties (B), Emotional attachment of family members (E), and Renewal of family bonds through intrafamily succession (R) (Berrone et al., 2012). Collectively, these dimensions make family businesses unique in their attitude and behavior toward strategic decisions (Davila et al., 2023). We recognize that there is some debate among family business scholars about whether and how these five SEW dimensions are empirically distinct (see Gomez-Mejia & Herrero, 2022). With this caveat in mind, the five-dimension FIBER model still offers an overarching scheme that captures the major elements of SEW as inferred from the broad family business literature. Using FIBER as an overarching framework, we next explore the influence of the LAC context on the manifestation of each SEW dimension for a family firm. As a preview, Table 1 includes a summary of the following sections.

3.1.1. Family influence: Strong desire to exercise control and authority

The "family influence" dimension of SEW refers to family owners' desire to perpetuate direct or indirect control over the firm's affairs (Berrone et al., 2012) and the enjoyment of that authority (Gomez-Mejia et al., 2019; Rovelli et al., 2022). A context where family is conceptualized as extended has important implications on the degree to which the family wishes to and effectively prioritizes this SEW dimension. Ensuring family control over the firm fulfills the need to exercise family authority and the family owners' unencumbered discretion to provide jobs for the extended family, promising career opportunities for family members, and perquisites to maintain the family lifestyle (Firfiray et al., 2018a). An indirect testimony of the importance of the "F" SEW dimension is the dominant presence of family-controlled business groups in LAC (Fracchia & Mesquita, 2007). Family business groups are

Table 1

Effects of extended family structure and a volatile, uncertain, complex, and ambiguous (VUCA) environment on the conceptualization of the socioemotional wealth (SEW) conceptual framework and its five dimensions.

SEW dimension	Extended family structure	VUCA
<i>Family influence (F):</i> Desire to perpetuate direct or indirect control over the firm's affairs and the enjoyment of that authority.	- Ensures more authority and discretion to provide jobs and opportunities for the family. - Facilitates the emergence of family-controlled business groups, a strategy to maintain further control and influence for the families involved.	- Raises sensitivity to external threats and evokes a strong desire to protect emotional assets through strong leadership abilities and authority. - Increases need to balance unilateral family control with outside accountability (e.g., tolerance of the participation of diverse shareholders).
<i>Identification of family members with the firm (I):</i> Inescapable intermeshing of the family with the business and concern to preserve the family image.	Enhances group membership, interpersonal trust, goals, and emotional involvement with the business which creates a powerful sense of family business identity, and strengthens concern for social responsibility and recognition.	- Induces families to sustain a powerful reputation as it can become a crucial competitive advantage against voids in formal institutions. - Emphasizes the delicate balance in displaying a strong public image because of a higher threat of negative repercussions (e.g., kidnappings, extortion, conspicuous privileges).
<i>Binding social ties (B):</i> Benefits from closed networks, relational trust, and feelings of closeness and interpersonal solidarity.	- Emphasizes a culture that promotes close social binds, the centrality of the family, and affective relations. - Contributes to developing relational capital with an array of stakeholders.	- Motivates families to ensure predictability and reliability by hiring those who they can trust and rely on. - Increases incentives to adapt (e.g., social ties, connections with foreign partners, no visible attachment to a particular political faction).
<i>Emotional attachment of family members (E):</i> Emotions converge to influence and shape the organization.	- Increases involvement in the lives of other group members which can enhance emotional attachment to the firm. - Creates fuzzier boundaries between family and business, so emotional situations could spread with increased complexity, affecting the rationality of decisions, and the effectiveness of the response.	- Enhances emotional vulnerability to environmental threats which can impact decision-making effectiveness with more frequency and intensity. - Motivates family businesses to demonstrate more personal strength, resilience, and ability to enjoy life in relatively more precarious and adverse conditions.
<i>Renewal of family bonds through intrafamily succession (R):</i> Family's concern for transferring the business to future generations.	- Facilitates dynastic ambitions, as more family members are available to lead the firms now or in the distant future. - Increases the possibility of tensions arising as it is less difficult to directly define who the next leader should be.	- Incentivizes owners to conceive generational transition as a survival strategy for the business. Pushes families to sustain the family legacy. - Makes generational transition and firm continuity often difficult to reconcile (e.g., disinterest of family members and desire to emigrate from the context).

a set of legally-separate family-controlled firms that operate with managerial coordination and control over capital, resources, and information (Cuervo-Cazurra, 2006; Khanna & Rivkin, 2001). Beyond the financial advantages (Khanna & Palepu, 1997), business groups represent an ownership strategy to maintain firm control and influence for the families involved (Della Piana et al., 2012).

Moreover, exposure to VUCA environments makes family businesses more sensitive to external threats and highly protective of emotional assets that they have successfully preserved through generations (Cuevas-Rodriguez et al., 2012; Fernandez et al., 2015; Wiseman et al., 2012). Weak regulatory frameworks induce family members to retain ownership within the firm, placing relatives in the top management team and family members on the board of directors (Castillo, 2002; Galve-Gorritz & Hernandez-Trasobares, 2015; Jones et al., 2008). Political corruption also requires family businesses to have influential leaders within the company to negotiate with public officials, navigate through political bureaucracy, and have the skills to successfully manage regime changes (Cuevas-Rodriguez et al., 2023; Lansberg & Perrow, 1991; Müller et al., 2019). Collectively, these mechanisms reinforce the importance of keeping family control and influence in the firm. (Acedo, 2006; Cruz et al., 2010). Nevertheless, evidence shows that to survive VUCA environments, LAC family owners balance unilateral family control with outside accountability. For instance, to take advantage of market opportunities and to be able to manage complexity in operations, some LAC family businesses have been inclined to make their governance structures more formal or “institutionalized” (Cortes & Botero, 2016) by professionalizing their management and board (Briano-Turrent & Poletti-Hughes, 2017; Silva & Majluf, 2008), and by accepting the participation of important local and foreign shareholders (Duran & Ortiz, 2020; Jara-Bertin & Sepulveda, 2016).

3.1.2. Identification: Strong Family members' link with the firm

The “identification” dimension refers to the close connection and inescapable intermeshing of the family with the business (Berrone et al., 2012; Cruz et al., 2015), making owners sensitive to presenting a positive family image and maintaining a reputation (Sharma & Manikutt, 2005; Westhead et al., 2001).

In LAC, family identity is often inseparable from business identity. Indeed, the family's name is often prominently displayed on the entrance of buildings (Lansberg & Perrow, 1991), which reflects the importance that LAC family businesses attribute to image, prestige, and reputation. Arguably, the presence of extended families and the in-group collectivist traits that characterize this structure strengthen these concerns. Given that interpersonal trust, goals, and emotional involvement with the business are often shared with the broader community of family members (Barbera et al., 2020), family businesses develop a powerful sense of family business identity, which can further strengthen their social recognition and relevance (Brannon & Edmond, 2016). Anonymity is seldom possible for the leaders of these family firms (who do not have the luxury to get an executive job elsewhere because of the “family handcuff,” Gomez-Mejia et al., 2003) and thus, people generally know who they are by name. The value of this SEW dimension has been manifested in family businesses' fervent desire to engage in socially responsible behaviors (Cennamo et al., 2012; Naldi et al., 2013), honesty in the reporting of information (Martin et al., 2016a), and caring human resource practices for employees (Christensen-Salem et al., 2021).

Still, competing in the LAC VUCA environment also exposes the paradoxical nature of a strong “I” dimension (Miller & Le Breton-Miller, 2021). Credibility and prestige play a critical role in the competitiveness of LAC businesses, partly because institutions are weak and people (in particular customers and suppliers) want to know who they are dealing with. Therefore, having a formidable reputation may become a crucial competitive advantage for family owners, as critical stakeholders would be more inclined to trust highly respected family businesses than any other formal institution (Berrone et al., 2022; Noor et al., 2020). Nonetheless, many LAC families – especially the wealthier ones – avoid

displaying their public image because of the threat of negative repercussions (e.g., kidnappings, extortion). Moreover, these families operate in highly skeptical social contexts that constantly pressure them to justify “their status and conspicuous privileges” (Gray & Kish-Gephart, 2013, p. 678). Hence, even if they opt for a strong public display of identity, engaging in socially responsible activities can backfire if stakeholders do not view these families' social engagement efforts as authentic and sincere. In the words of institutional theorists, among these family firms, there is probably less decoupling between symbolic and substantive claims (Aguinis & Glavas, 2013).

3.1.3. Binding social ties: Strong desire to create relational capital

The dimension “Binding ties” concerns how family owners form and sustain social relationships. It stresses that family businesses derive more benefits from closed networks, relational trust, and feelings of closeness and interpersonal solidarity (Coleman, 1990; Cruz et al., 2012; Uzzi, 1997). Such bonds can also spread to non-family stakeholders (Gomez-Mejia & Berrone, 2009; Miller & Le Breton-Miller, 2005; Herrero et al., 2022).

Given the conceptualization of family as “extended,” in-group trust and binding social ties might be more fundamental in LAC than in other regions. LAC culture promotes close social binds, the centrality of the family (nuclear and extended), and affective relations (Pittino et al., 2020). Following the adage “you trust those who are loyal to you” (Cruz et al., 2010), LAC family owners are meticulous in maintaining good relations with others. The concern for the “who” behind business relations means that, even though the family is perceived in broader terms, to be awarded membership beyond familial or blood ties, individuals need to have established solid mutual connection, trust, and commitment with existing members (Cruz et al., 2012). Having more “key” people in the in-group means that family businesses may require fewer external stakeholders to develop their activities, closing their circle to the intervention of insiders (Herrero & Hughes, 2019). For this reason, the development of entrepreneurship in LAC family businesses is highly driven and supported by the presence of high trust within an established network (Basco & Calabrò, 2016; Cruz et al., 2012; Llanos-Contreras & Alonso-Dos-Santos, 2018; Sieger et al., 2011).

Nonetheless, despite being an exclusive group, the interest and possibility of generating large networks of partners can be positively favored with the presence of extended families (Herrero & Hughes, 2019). Extended families can develop stronger ties and relational capital with stakeholders, including buyers, suppliers, regulators, and policy-makers (Camara et al., 2021; Steier, 2009). Moreover, these structures better develop the relational capital that underlies links with other organizations because they are run by the extended family rather than by professional managers who may, at any time, change jobs (Brenes et al., 2019; Carney, 2005). Relying on these high-trust extended networks creates predictability, as a larger, more informed, and better-connected family also creates a more extensive knowledge base, a key asset amidst VUCA contexts. Collectively, these factors motivate family businesses to maintain relatively close and binding ties, consisting of family members or other tight-knit relationships. The expectation of reciprocity in repeated interactions strengthens these ties (Gomez-Mejia et al., 1982; Gomez-Mejia & Wiseman, 1997; Martin et al., 2019; McCann & Gomez-Mejia, 1986; Wowak et al., 2017; Zona et al., 2018). While this may not be unique to LAC (e.g., Barkema & Gomez-Mejia, 1998; Welbourne et al., 1995), the VUCA environment makes this especially valuable to family owners.

Like other SEW dimensions, VUCA environments force family businesses to be more adaptive, which could be reflected in their tolerance of the partnerships they create (Barry & Graca, 2019). Social ties beyond the family (e.g., connections with foreign partners) have been vital because they provide helpful resources that are scarce or unavailable in the national context (Camara et al., 2021). In addition, family businesses' adaptability may also manifest in how they choose to maintain relationships. For instance, in the face of political instability and

changes, family owners are required to adapt to governmental changes as a vital mechanism for guaranteeing relations and financing (Camara et al., 2021; Steier, 2009), meaning that they are careful not to show visible attachment to a particular political faction. Indeed, many LAC family businesses have survived for generations, some tracing their roots to colonial times despite multiple waves of political upheaval.

3.1.4. Emotional attachment: Strong presence and influence of affect

The “emotional attachment” dimension in FIBER refers to the deep affective involvement of family owners in the business. The fuzzy boundaries between family and corporation allow diverse types of emotions to filter into the operation of the business (Berrone et al., 2010; Morgan & Gomez-Mejia, 2014).

The elevated level of affective attachment and intermingling of emotion with the business is a dominant feature of LAC family businesses. The frequency with which LAC individuals feel various emotions (i.e., asymmetric emotionality) is higher than in individuals from other cultural settings (Bericat & Acosta, 2021; Kitayama et al., 1995). *Familism*, an abundance of close, warm, and genuine interpersonal relationships, and satisfaction from the social and family sphere, are aspects that contribute to the positivity and well-being of individuals (Bericat & Acosta, 2021; Rojas, 2018). These factors may explain why LAC family businesses focus on family unity, harmony, and a “consensus at any cost” (Lansberg & Perrow, 1991:131) more than, for instance, US family businesses (Duran & Ortiz, 2020; Pagliarussi & Rapozo, 2011). Nonetheless, negative emotions often permeate LAC. These societies frequently suffer from anxiety, sadness, frustration, humiliation, a sense of uselessness, desperation, shame, guilt, and other similar emotions (Ariza, 2021). Such emotions are related to challenges imposed by the lack of resources, severe gender inequity, excessive job and non-job work burden, and the frustrations of dealing with institutional weaknesses (Ariza, 2021).

The aforementioned emotional features, combined with an extended family nature and a VUCA setting, could be key in understanding the level, intensity, and complexity of managing the “E” dimension of socioemotional wealth in LAC family businesses. On the one hand, individuals tend to feel more strongly involved in the lives of other group members (Cruz et al., 2012), creating a special type of emotional attachment and connection. Executives and key personnel are evaluated subjectively rather than based on quantitative “objective” indicators (Caranikas-Walker et al., 2008; Tosi & Gomez-Mejia, 1994). At the same time, however, a more pronounced mix of backgrounds, beliefs, values, and experiences leads to a higher level of complexity of emotions in family businesses, affecting the impulsiveness and rationality of decisions, the tension between members, and the effectiveness of the response. High “asymmetric emotionality” also impacts family businesses with an extended structure. An extended structure means fuzzier boundaries between family and business, so emotional situations could spread into the business with even more regularity and intensity than in other settings with a family structure more circumscribed to the nucleus.

Moreover, VUCA affects the volatility and complexity of emotions that influence family businesses. As LAC family business owners often face a rapidly changing and tumultuous context, they could be more emotionally “sensitive” or “vulnerable” to environmental threats. As a result, they become more erratic in their decision-making, have more fear, or feel unable to trust others outside the extended family clan (Bericat & Acosta, 2021). At the same time, VUCA can motivate family businesses to demonstrate more personal strength, resilience, and ability to enjoy life in relatively more precarious and adverse conditions (Bericat & Acosta, 2021; Calvo et al., 2012; Cruz et al., 2015).

3.1.5. Renewal of family bonds through succession: Strong desire to preserve the family dynasty

The last dimension of SEW, “Renewal of family bonds through succession,” relates to the family’s concern for giving the business to future generations (Berrone et al., 2012). Maintaining the business for future

generations is a crucial long-term objective for family owners (Kets De Vries, 1993). The firm is not just an asset to be sold; it represents heritage and tradition (Chirico et al., 2020; Tagiuri & Davis, 1992). This goal, in turn, makes family businesses especially concerned with building capabilities and commitment in future generations so that they continue the family legacy (Sirmon & Hitt, 2003; Zellweger et al., 2012).

In LAC, family businesses care for the longevity and continuity of their enterprises (Llanos-Contreras et al., 2022), and having an extended family can facilitate dynastic ambitions, as more family members are available to lead the firms now and in the future (Roscoe et al., 2013). Further, for multigenerational LAC family businesses, overcoming VUCA challenges proves their resilience to themselves and others, thus signaling that the family is worthy of admiration (Ortiz & Vincent, 2021). In turn, the collective and extended commitment that arises from the need to work harder to achieve results creates a higher exit barrier for the family enterprise and a stronger incentive to sustain the family dynasty (Chirico et al., 2020; Sharma & Manikuttu, 2005). Embracing transgenerational entrepreneurship and a legacy orientation gives the family more options and opens a broader window of opportunities to explore new ventures.

Nevertheless, an extended family structure can also represent a double-edged sword for renewal through succession. An extended structure can also mean that it is not always clear who the next leader or heir should be, leading to tensions (Brenes et al., 2006). The coexistence of nuclear and extended family members is a crucial factor that promotes resistance to successional processes (Dyer, 1988; Kidwell et al., 2012). Despite this potential problem, most family firms, particularly the largest ones, can accomplish succession effectively in LAC. Explanations include primogeniture as an informal rule for leadership transfer (which reduces the possibility of destructive conflict from one generation to the next) (Calabrò et al., 2018; Campopiano et al., 2020), patriarchy (which excludes females from competition) (González et al., 2020), and the fewer incentives to “break” business groups (Lamin, 2013).

Further, VUCA makes family owners conceive the generational transition as a survival strategy for family businesses (Brenes et al., 2006). Low market capitalization and M&A activity compared to developed regions provides fewer incentives and ease for divestments and, therefore, managing succession well is one of the few options available to ensure firm continuity (Lansberg & Perrow, 1991). Finally, VUCA also highlights the paradoxical outcomes from the “R” SEW dimension. For instance, despite a strong interest in ensuring the renewal of family bonds, its implementation could be difficult to reconcile due to tensions that arise from the disinterest of family members (particularly younger generations) and their desire to emigrate from a VUCA context (Aruj, 2008).

3.2. Family businesses in LAC as SEW intensive and SEW sensitive

Our critical review and analysis of the five FIBER dimensions in light of the contextual peculiarities of LAC and other VUCA settings, as summarized in Table 1, suggests that family businesses from this region can be defined as SEW *intensive*, meaning that they give high priority to all SEW dimensions. Family owners in LAC: (a) strongly emphasize the need to maintain extensive control and authority over the firm, (b) are deeply concerned about the family and the firm’s reputation, (c) exhibit a tight emotional connection between family owners and the firm, (d) extremely value relationships with stakeholders, and (e) are keenly interested in the continuation of the family legacy’s embedded in the firm. Hence, we propose the following,

Proposition 1a. Extended family structure and VUCA environment are positively related to SEW intensity, such that the more extended the family is and the effects of VUCA, the more likely that family businesses operate at a higher end of the SEW continuum for all SEW dimensions.

Proposition 1b. Compared to family businesses in other contexts, LAC

family businesses are more SEW intensive (i.e., they operate at a higher end of the SEW continuum for all SEW dimensions).

Additionally, family owners in LAC are SEW *sensitive*, meaning they are more willing and capable of adapting their SEW endowment to respond to external factors compared to family owners in other contexts. Competing in a VUCA environment implies that family owners face significant vulnerabilities in trying to preserve their SEW, but also pushes some to take extraordinary measures and risks to maintain and grow their SEW. This can make these firms more entrepreneurial (Jones et al., 2019). Given the characteristics of LAC family businesses and the importance of SEW preservation, they should be more skillful in the management of SEW (for instance, showing tolerance to diverse views within the family clan) to avoid substantial SEW losses (as might be the case, for instance, if intrafamily conflict were to result in business failure). In sum,

Proposition 2a. Extended family structure and VUCA environment are positively related to SEW sensitivity, such that the more extended the family is and the larger the effects of VUCA, the more likely that family businesses desire to protect their socioemotional endowment adaptively to respond to external vulnerabilities.

Proposition 2b. Compared to family businesses in other contexts, LAC family businesses are more SEW sensitive (i.e., they exhibit a higher propensity to protect their SEW adaptively to respond to external vulnerabilities).

Next, we revisit assumptions of SEW theory considering the specificities of LAC, focusing on the implications of owners who are SEW intensive and SEW sensitive.

4. Do SEW theory's assumptions hold in LAC?

4.1. Assumption #1: The desire to protect the SEW endowment drives family businesses' strategic decisions

A primary assumption of the theory of socioemotional wealth is that the preservation of the SEW endowment represents the most fundamental distinguishing feature of family firms (Gomez-Mejia et al., 2007). In LAC, because family owners are considered SEW intensive, they would be overly concerned about the set of non-financial benefits that SEW provides so that this core assumption would hold in this context. In LAC, families are more enmeshed than in more developed markets (Lansberg & Perrow, 1991), meaning that life, extended to what occurs in the business, is more likely to be centered around the family (Berrone et al., 2022; Miller et al., 2001). Higher participation and commitment of family members in the business can lead to stronger attachment and care for socio-emotional endowments. Therefore, SEW-intensive family owners could feel especially connected to the business and are highly concerned about protecting their SEW.

In addition, being more SEW-sensitive can also help explain why the strategic decision-making of LAC family businesses is often directed at the desire to preserve their emotional endowments. For the LAC business family, sustaining control, involvement, and identification of its extended members with the family's SEW amidst an unfavorable institutional setting can become a significant challenge. However, the business family can also become more vulnerable to risks that threaten SEW dimensions as family influence and identification become more dispersed (Gomez-Mejia et al., 2007; Pongelli et al., 2016). In this sense, family business groups rise as a practical solution that family businesses find to deal with the complexities of an extended family structure, facilitating SEW preservation. Further, in the face of economic, political, and social challenges, family leaders' SEW sensitivity can explain their fervent desire to protect socioemotional endowments. SEW can constitute a crucial shield against the threats imposed by the VUCA environment and aid family businesses in achieving objectives that financial assets may not be able to provide on their own (Gomez-Mejia & Palich,

1997; Greif, 2008; Licht et al., 2006). For example, as SEW delivers a relevant and necessary set of resources (e.g., relationships, information, recognition, control, and renewal), the business family could be particularly interested in making decisions aligned with the protection of these assets to ensure competitive firm survival (Palich & Gomez-Mejia, 1999). In sum,

Proposition 3a. SEW intensity and SEW sensitivity are positively related to the concern to preserve SEW, such that the more SEW intensive and SEW sensitive a business family is, the higher the desire to preserve its SEW.

Proposition 3b. Compared to family businesses in other contexts, LAC family businesses perceive SEW as a stronger core competence and have a greater desire to preserve it.

4.2. Assumption #2: SEW is the primary reference point to define gains and losses when making strategic decisions

A second central assumption of the SEW framework is that family owners use SEW as their primary reference point. Drawing on behavioral science research (Gomez-Mejia et al., 2000, 2021; Martin et al., 2013; Wiseman & Gomez-Mejia, 1998), SEW theory proposes that family principals would avoid losses to SEW when making strategic decisions, so actions are continually assessed in terms of the potential impact on this endowment (Gomez-Mejia et al., 2007). Therefore, the family could make decisions not driven by financial logic and even accept hazards to firm survival if it ultimately preserves SEW (Gómez-Mejia et al., 2022; Kotlar et al., 2014; Nason et al., 2019).

The extent to which this assumption holds in LAC is debatable. As discussed earlier, facing a VUCA context makes LAC family owners SEW sensitive (i.e., more willing to adapt their SEW endowment to respond to external vulnerabilities). Empirical evidence shows that family businesses focus on future financial considerations when facing high vulnerability conditions and are thus willing to adopt strategic actions not solely based on preserving their SEW (Gomez-Mejia et al., 2018). If the firm fails to survive, SEW and financial wealth will disappear altogether, so family owners would be willing to incur transient SEW losses to ensure firm survival in the long run. SEW sensitivity suggests that LAC family firms may be better at learning and adapting to changes posed by their complex environment. The ability and necessity to do so can consequently mean that they can effectively combine and manage SEW and economic dimensions to ensure competitive firm survival. For them, socioemotional and financial decisions may not be seen as trade-offs but as crucial assets that, combined, enhance the survival of the firm and, consequently, the preservation of both valuable dimensions of the organization (Vazquez & Rocha, 2018).

In the end, our discussion suggests that in the case of LAC, the SEW approach is better explained under the "SEW mixed gamble logic," where family owners do not necessarily act guided by SEW loss aversion and where decision-makers take their current as well as prospective wealth as alternative reference points (Gomez-Mejia et al., 2014b, 2018, 2019; Gomez-Mejia et al., 2022). The mixed gamble logic suggests that family leaders weigh the likely gains and losses of strategic decisions in terms of their impact on the current SEW endowment and future financial wealth (Cruz & Arredondo, 2016; Strike et al., 2015). Moreover, the logic argues that outcomes can influence financial and non-financial wealth decisions, which may be mutually exclusive dimensions, trade-offs, or instead complementary 'mixed gambles' (Gomez-Mejia et al., 2018). This adaptive capability is a positive asset in family businesses (Soares et al., 2021). To summarize,

Proposition 4a. SEW sensitivity is positively related to the likelihood that family businesses follow a mixed gamble logic, such that the more SEW sensitive a business family is, the more likely it adopts a mixed gamble logic to decision making involving financial and socioemotional factors.

Proposition 4b. While the mixed gamble logic to decision-making involving financial and socioemotional factors may generalize to family ownership worldwide, it is more pronounced in LAC than in other contexts.

4.3. Assumption #3: Family businesses are loss-averse towards performance hazard risk and risk-averse towards venturing risk

Applying the behavioral agency model (BAM) (Gomez-Mejia et al., 2021; Wiseman & Gomez-Mejia, 1998) to the business family context, the SEW approach replaced agency theory's assumptions about risk aversion to argue that family owners can be risk-seeking and risk-averse at the same time, depending on how the risky decision affects the family's SEW (Gomez-Mejia et al., 2007). Specifically, the SEW conceptualization postulates that family principals will avoid venturing into risk (i.e., strategies that increase performance variability and potential hazards for SEW) and behave financially risk-averse towards these decisions. Nevertheless, they will be more willing to accept performance hazard risks (i.e., strategies that may not be the most optimal from a financial perspective) and would behave financially risk-seeking to prevent the loss of SEW (Gomez-Mejia et al., 2007). In what follows, we examine how LAC characteristics improve our understanding of risk perception and orientation of family businesses as postulated by the SEW approach.

4.3.1. LAC family businesses' attitude towards performance-hazard risks

The original version of the SEW conceptualization argues that decision-makers are willing to accept more significant performance hazard risks (strategies that may not be the most optimal from a financial perspective) to prevent the loss of SEW (Gomez-Mejia et al., 2007). The fundamental idea is that if SEW is a core asset for family businesses, they will act in a loss-averse manner, meaning they could engage in less rational business decisions if it means preserving current socioemotional endowments (Gomez-Mejia et al., 2007). Being characterized as "SEW intensive family owners," it seems reasonable to assume that LAC family businesses would be concerned with avoiding losses to their hard-earned and valuable SEW. However, the nature of the context also poses interesting issues worth questioning and exploring.

As discussed, SEW-sensitive and intensive family owners may perceive SEW-financial decisions as complements instead of substitutes. This conception of reality may help improve firm survival and family continuity. Therefore, in their acceptance or rejection of strategies that directly improve financial performance, the thought process could be more about what results best for the family from both a financial and SEW perspective instead of what is solely optimal for SEW or the family's financial welfare. As a result, they could be much more inclined to pursue strategies that lower financial risk (i.e., less willing to accept performance hazard risks), with the prospect of increasing *both* SEW and economic results. Pursuing this strategy allows family owners to overcome threats from VUCA settings. This notion aligns with findings that family businesses have more incentives to pursue strategies like diversification under increased performance hazards as an important mechanism for firm survival and the ultimate preservation of SEW (Gomez-Mejia et al., 2010; King et al., 2022). It may also explain why internationalization, a strategy that helps spread investment risks over different countries (Gomez-Mejia, 1984; Gomez-Mejia et al., 1987; Kim et al., 1993; Miller et al., 2002) but traditionally argued to carry higher losses to SEW (Gomez-Mejia et al., 2010), has also been an attractive option for LAC family businesses (Duran et al., 2017). Diversifying to external markets can allow family businesses to escape the more demanding and risky home markets (Guillén & García-Canal, 2009) while using their internal resources developed across their affiliate networks to overcome the associated challenges (Borda et al., 2017).

In addition, given their extended family structure, the LAC business

family could also be more capable of approaching these comprehensive strategies. The extended family means that firm owners can carry out specific financially beneficial strategies without posing a direct threat to SEW. Evidence suggests that risks that a traditional family ownership structure perceives from diversification (direct loss of control and increased debt from capital that would have to be raised; Gomez-Mejia et al., 2010) are more likely to be discounted by LAC family businesses. Diversification is an aspect of many large LAC firms that differ from the Anglo model, mainly because of institutional and cultural differences (Grosse, 2007). With an extended family structure, there is less fear of damaging control mechanisms and more possibility of turning to internal sources of capital within the family for funding purposes (Gomez-Mejia et al., 2014c; Khanna & Palepu, 1997; Khanna & Rivkin, 2001).

Further, high participation in the informal economy (Bruton et al., 2012; Rosenbluth, 1994) is a way for LAC family businesses to diversify financial risk (i.e., lower acceptance of performance hazards). One interpretation of their high level of participation is that the family businesses engage in this form of activity as a survival mechanism (Grosh & Somolekae, 1996; Portes & Schaeffler, 1993). These firms may be willing to assume a trade-off between the direct financial benefits obtained from this activity and SEW. Nonetheless, an alternative explanation is that informality is a complementary mechanism for SEW growth. Informality, beyond a survival mechanism, is perceived as a heroic and entrepreneurial way of prospering by shielding the firm from state oppression and government corruption (Portes & Schaeffler, 1993). In addition, informal firms enjoy prominent levels of legitimacy within their local communities (Webb et al., 2009), forming solid networks and relationships (Khavul et al., 2009; Williams & Shahid, 2016). This behavior aligns with the notion that family businesses have less tendency to accept performance hazard risks, acknowledging that they can complement financial benefits with their SEW (Martin & Gomez-Mejia, 2016).

The aforementioned arguments lead us to propose the following,

Proposition 5a. SEW sensitivity is positively related to the likelihood that family businesses are inclined to deal with performance hazard risk, such that the more SEW sensitive a family business is, the less willing it becomes to accept direct financial losses.

Proposition 5b. Compared to other contexts, LAC family businesses are more successful in dealing with performance hazard risks.

4.3.2. LAC family businesses' attitude toward venturing risks

The SEW framework argues that family owners are loss-averse decision-makers by avoiding strategies that increase performance variability and potential hazards for SEW (Chrisman et al., 2012; Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2022). While empirical evidence supports this assumption (e.g. Gomez-Mejia et al., 2010; Duran et al., 2016; Gomez-Mejia et al., 2014b), there is also evidence that family principals are successful risk-taking entrepreneurs (Arregle et al., 2021; Goel & Jones, 2016; Martin & Gomez-Mejia, 2016; Gomez-Mejia et al., 2022), who are able to engage in innovative activities (Balkin et al., 2000; Basco et al., 2019; Duran et al., 2016).

VUCA can be a critical factor in understanding family businesses' risk venturing orientation in LAC. On the one hand, weak market-supporting institutions restrict the possibility of being entrepreneurial and innovating, leading family businesses to be more risk-averse and take conservative strategic decisions that limit risk exposure to further uncertain outcomes (Chen & Hsu, 2009; Muñoz-Bullón & Sanchez-Bueno, 2011). However, an alternative consequence of the VUCA setting is that businesses learn to be more tolerant of risky strategic calls. Family businesses exhibit higher autonomy, risk-taking, and competitive aggressiveness in LAC than the global average, and certainly higher compared to family businesses in North America and Europe (Müller & Sandoval-Arzaga, 2021). The volatile and uncertain nature of the

environment can also push family businesses to be more inventive, flexible, and tolerant of accepting changes and alternatives to adapt to the new context (Hatun & Pettigrew, 2007). Being conservative turns into a less attractive option because, by staying inactive, the business family makes itself even more vulnerable to VUCA threats. The need to think constantly of “what if” scenarios make them better at scanning and monitoring the environment and may push them to be more open to strategic alternatives that can ensure survival and improve future performance. The constant search for problem-solving ideas and initiatives has helped LAC family businesses extend their longevity in an often hostile business environment (Alonso et al., 2018). If they do not act more flexibly and adaptively, they risk the possibility of failure, jeopardizing not only the family’s economic welfare but also their SEW endowment (Poletti-Hughes & Williams, 2019).

The LAC family structure is also relevant in understanding how these ventures are positively encouraged and pursued. Extended family structure, for instance, can represent a crucial source of power, protection, trust, and financial support (Pagliarussi & Rapozo, 2011). Therefore, these factors are considered relevant in adopting a more risk-loving attitude, as they help cushion downside risk. Furthermore, the fact that control and management remain in the family discourages the possibility of entering opportunistic venturing risks usually seen in non-family businesses, where manager and owner enter into conflict (Gomez-Mejia et al., 1987; Tosi & Gomez-Mejia, 1989; Tosi et al., 1997; 2000; Werner et al., 2005). Compared to investors in LAC non-family businesses, LAC family owners should be able to take greater advantage of valuable venturing risks that may foster both SEW and financial gains (Martin & Gomez-Mejia, 2016). Collectively, this should contribute to the effective pursuit of strategic entrepreneurship (Gomez-Mejia et al., 2014a).

Additionally, we argue that LAC family businesses have favorable cultural conditions that allow them to develop and sustain organizational adaptation. Because they are deeply embedded in their communities they are more likely to be perceived as caring and compassionate in their treatment of stakeholders, in particular employees (Christensen-Salem et al., 2021; Gomez-Mejia & Berrone, 2009; Mayo et al., 2009; Mannor et al., 2016). From an endurance perspective, the capability to sustain more hardship (Poza, 1995) enables LAC individuals to push through and find ways to adapt to difficult circumstances. Similarly, paternalism and a strong presence of values and tradition have helped LAC family businesses develop a solid entrepreneurial culture and education, nurtured, and strengthened through generations (Cruz & Nordqvist, 2012). In developing transgenerational entrepreneurship, the adequate balance of innovation and tradition may help these firms attain a sustainable competitive advantage (Cruz & Jiménez, 2017; Firfiray et al., 2018b; Rondi et al., 2019). Therefore, we offer the following propositions,

Proposition 6a. SEW sensitivity is positively related to the likelihood that family businesses are more inclined to undertake venturing risk, such that the more SEW sensitive a business family is, the more willing it is to accept performance variability.

Proposition 6b. Compared to family businesses in other contexts, LAC family businesses are more inclined to undertake venturing risks.

In summary, contextual characteristics due to extended family structure and the VUCA environment explain why LAC family businesses are SEW intensive. In addition, LAC family businesses are more sensitive to experiencing and making changes in their management of socio-emotional assets. SEW sensitivity means that LAC family businesses can better manage the “trade-off” between financial and SEW goals and that these may not be viewed as incompatible. SEW intensity and sensitivity further help us further understand the underlying assumptions of SEW theory. Family businesses’ strategic orientation is concerned with SEW. However, SEW preservation may not always be a direct and central reference point. Therefore, in this decision-making process, LAC family

businesses are more averse to performance risk and are less averse to venturing into risks.

5. A note on boundary conditions within LAC

It is important to consider that our critical review and analysis of the SEW framework constitutes an initial approximation to understanding the influence of the LAC context on business family behavior. Of necessity, we are taking a “bird’s eye” view of the region, ignoring the details. Latin America and the Caribbean cover a vast geographic area with many diverse ethnic groups, languages, political regimes, and income levels, among other differences. Accordingly, it seems pertinent to explore how, despite commonalities attributed to shared historical, cultural, and institutional issues, country-specific and regional factors may still engender differences in business family attitudes and behavior. Even when countries share borders, they could differ from a general socio-economic, political, and cultural perspective. For example, the Dominican Republic and Haiti diverge in traditions and norms even when sharing one island due to the disparities in their colonization processes and the types of settlers that dominated each case (Müller et al., 2019). The Dominican Republic has been influenced primarily by Spanish culture. Its inhabitants are mainly of mixed European and African descent, having received large-scale immigration from the Iberian Peninsula, Mallorca, and the Canary Islands (Howard, 2001). On the other hand, Haiti is the result of the influence of French colonists, who brought vast numbers of enslaved people from Africa (Arthur, 2002; Gregory & Sanjek, 1994). A strong French and African influence has led Haiti to differentiate itself ethnically, linguistically, and culturally from its Spanish-speaking neighbor (Arthur, 2002). Currently, the per-capita income of the Dominican Republic is more than ten times higher than that of Haiti; while Haiti is the poorest country in the Western Hemisphere, its next-door neighbor is considered by the United Nations as an upper-middle-income country (UNDP, 2018).

As another example, bordering nations Costa Rica and Nicaragua have noticeable socio-economic differences. Costa Rica is a relatively developed country from a Latin American perspective (Fernández-Serrano & Liñán, 2014; UNDP, 2018), while Nicaragua is considered one of the poorest countries in the Americas (Stampini et al., 2015), with high levels of emigration and an overwhelming dependence on its diaspora (Müller et al., 2019). It is politically more unstable than Costa Rica (which has a long history of representative democracy), and there is higher institutional corruption (Leonor & Duarte, 2017). Like the two illustrations, cultural and socioeconomic disparities across the region can shape, among other factors, how a family is structured, their set of values and beliefs, their interaction with the business, and the strategies they pursue.

Expanding on this last point, heterogeneity in VUCA dimensions can also be an important determinant of how family businesses behave towards SEW (e.g., the specific dimensions which are perceived as more important and their risk orientation). For example, family businesses could be more SEW sensitive in countries where firms are exposed to high macro-economic volatility (e.g., Argentina) (Sahay & Goyal, 2006); hence, they may perceive that agility and adaptability in their SEW treatment and decision-making are necessary (Bennett & Lemoine, 2014; Kalm & Gomez-Mejia, 2016) to withstand frequent monetary and fiscal challenges. As a result, family enterprises immersed in these settings may be particularly mindful of the need to diversify their pool of alternative solutions to withstand the dynamism of their surrounding environment.

Alternatively, in countries where the setting is complex (i.e., more conflicting institutional forces), firms are exposed to situations that have a very elaborate nature, and it is difficult for managers to assess the risks facing the firm (Bennett & Lemoine, 2014; Martin et al., 2016b). A consequence could be that family businesses are more protective of their socio-emotional assets and are more SEW-intensive (Neacsu et al., 2017). For example, in Mexico, a complex context characterized by

corruption and job market informality, family businesses have had incentives to maintain control by ensuring a lower rotation of family members in management positions (Watkins-Fassler & Davila-Delgado, 2012) and a less independent board of directors (Lara & San Martin-Reyna, 2007). Centralized ownership and management structures are adopted because they are perceived as protective SEW barriers to external complexities (Castillo, 2002). At higher levels of centralized control, the aversion to losing SEW can instill a negative attitude toward risk-taking (Poletti-Hughes & Williams, 2019).

Nonetheless, a complex environment may also push firms to find ways of restructuring operations to match external demands (Benischke et al., 2020). Extending this to family businesses means that, in their decision-making, SEW may not always turn into a direct and primary reference point. For example, they could perceive financial safety as a crucial immediate goal because it is a prerequisite for prospective SEW survival. Alternatively, they may also turn to more creative and entrepreneurial solutions to deal with complicated settings (Cruz et al., 2015). Some LAC countries have been reported to portray a higher entrepreneurial orientation than others (Müller & Sandoval-Arzaga, 2021; Rivera-Camino & Gomez-Mejia, 2006). For instance, in Peru, a complex environment noted for its instability (Khouri et al., 2015), informality (Portes & Schauffler, 1993), and undeveloped infrastructure (Vorisek, 2018), family businesses have a high degree of entrepreneurial orientation (Müller & Sandoval-Arzaga, 2021).

Further, there are also LAC countries that are more immersed in ambiguity (e.g., Venezuela and Cuba), where there is a lack of information and knowledge of the basic economic and regulatory rules. In such contexts, there are no precedents for making predictions as to what to expect, and it is unknown if a strategic choice that makes sense one day would turn into a mistake the next day (Firfiray & Gomez-Mejia, 2021; Gomez-Mejia et al., 2005; Hollyer et al., 2017). In these settings, unconstrained government intervention could suddenly and deeply impact the firm. Thus, drawing on various sources of information (Bennett & Lemoine, 2014) and establishing a friendship with key government officials are crucial to reducing high levels of information asymmetry and protecting the firm from arbitrary decisions emanating from the state bureaucracy. Therefore, family businesses from countries with this prevalent feature could consider relational capital a precious SEW dimension for success.

In short, given LAC's diversity, it is important to keep in mind that some of the preceding analyses and propositions may have to be nuanced depending on the specific context being considered.

6. Discussion

Much work remains to be done to understand the extent to which dominant characteristics of a region affect the SEW conceptualization of family businesses (i.e., how the SEW approach fits this context). We argued that LAC provides an excellent and unique opportunity to further advance the SEW approach. We revisited SEW theory and its core assumptions to explore how LAC characteristics can be relevant in improving our understanding of SEW. We approached this topic by first highlighting how LAC's core elements (i.e., extended family and a VUCA environment) are fundamental in the perception and treatment of family businesses' SEW. We argued that these factors place LAC family businesses as high SEW-intensive firms. In addition, we proposed that, relative to other contexts, they are also highly SEW sensitive, meaning they are more willing and capable of adapting their SEW endowment. These changes are sometimes unavoidable, but they may also be intentional. We contend that sensitivity to changes in SEW is a critical underlying factor in explaining why LAC family businesses are more flexible and adapt better to uncertain situations and environmental complexities (Alonso et al., 2018).

More broadly, we extended SEW theory by arguing that underlying assumptions of this framework should be interpreted through the lens of the general contextual conditions where the family firm is embedded.

Specifically, there could be nuances in how core assumptions of the SEW model manifest in LAC family businesses. Consistent with the literature and our personal experiences, we argue that LAC family businesses show much concern for SEW. However, we note that some assumptions found in the traditional SEW literature are debatable. We argue that, compared to other settings, LAC family businesses may be more inclined to make decisions where the immediate priority is not necessarily SEW and, as a result, may be less loss-averse towards performance hazard risks and less risk-averse towards venturing risks. The fact that LAC family businesses are prone to adopting these strategies relative to family businesses compared to those in other settings does not mean that they are "gamblers". Instead, this attitude is more reflective of a) the challenging nature of the context (i.e., it is considered vital or even risk-averse behavior to implement these alternatives), b) cultural traits of individuals (e.g., resilience) that affect how SEW is expressed, c) the perception of what constitutes a *prospective* gain in SEW (e.g., the possibility of extending control, recognition and relational capital, emotional connection obtained from the capacity to reinvent and fight back, having more alternatives to guarantee family dynasty), and d) the ability to confront these actions in a way that aligns with the business family's goals (i.e., extended family structure and in-group collectivism).

Our critical review and analysis point to several key implications and ideas for future research. First, it highlights the importance of moving towards a more context-sensitive approach in family firm research. Dominant theories like SEW need to be contextualized to understand their boundaries and enhance their generalizability (Gomez-Mejia et al., 2020). The idea that SEW is a "one size fits all" approach has become increasingly questionable (Olavarrieta Soto & Villena, 2014), and context is a key variable in understanding the heterogeneity of family owners and family businesses.

Second, our analysis emphasizes the opportunity to explore further the influence of the LAC context and its characteristics on business family dynamics and behavior. The hypothesized impact of key cultural and institutional factors on underlying assumptions of SEW theory should lead researchers to "finetune" the theory to accommodate the idiosyncrasies of particular regions. We researchers should not take a passive role in this matter; we must start to challenge dominant assumptions traditionally applied to other realities. This perspective implies that developing home-grown theories for SEW adapted to local or regional conditions may be necessary.

Third, our article encourages researchers to go beyond the regional context and dive into national characteristics. Our propositions draw on general commonalities of LAC and highlight generalized patterns of behavior which facilitate comparison to other contexts. However, regional heterogeneity (Stangej & Basco, 2017) should also play a fundamental role in nuances that could be manifested. Disentangling family businesses' characteristics across the region (e.g., extended family structure and form, entrepreneurial orientation values, VUCA peculiarities) and comparing behavior between LAC countries would help advance the understanding of the differences in SEW logic and business family behavior.

Fourth, to contribute to the theoretical validity of a *sui generis* SEW approach for the LAC context, our analysis underscores the importance of considering future challenges from an empirical perspective (Cortes & Botero, 2016). For instance, acknowledging that family is perceived as wider than in other contexts means that we need to think of alternative ways of capturing this construct, so it is more reflective of the LAC reality. If we neglect these features, we could risk under/over-capturing different phenomena of interest (Gomez-Mejia & Herrero, 2022). This is a key issue in advancing the methods used (e.g., surveys that capture specific traits, experimental studies, and content analysis) (Aguinis et al., 2020). In doing so, researchers will discover how business family heterogeneity in various forms (e.g., extent of in-group collectivism, traditional values, religious beliefs, entrepreneurial orientation) influences SEW dimensions and overall decision-making. To examine the extent to which LAC family businesses differ from LAC non-family

businesses, studies must also focus on how various LAC characteristics manifest in each type of organizational form and the extent to which they diverge in reactions and behavior.

Fifth, unraveling the VUCA framework and its application in LAC seems appropriate. Classifying LAC countries within this framework can add to the discussion of the impact of features of specific environments on the behavior and decisions that family and non-family businesses implement accordingly (Gomez-Mejia & Welbourne, 1991; Gomez-Mejia et al., 2005). In this process, we should also take advantage of exogenous changes (e.g., specific regulations, political changes, crises) for more conclusive and causal explanations of business family behavior. We should also aim to conduct more longitudinal studies to explore the various shocks and changes that have affected different unique settings through time.

Sixth, while we have focused on the family firm as the unit of analysis, an important phenomenon in emergent economies, including those of most of LAC, is the presence of family business groups whereby “a family firm holds control blocks in several publicly traded firms, each of which holds control blocks in yet more publicly traded firms and so on” (Morck & Yeung, 2003: 367). For example, Morck and Yeung noted that about thirty percent of the Ecuadorian population’s livelihood depends on firms controlled by the Noboa family. An interesting extension of our theoretical framework is to focus on how SEW manifests itself in the operations of these business groups and how these pyramidal multi-family structures influence SEW intensity and sensitivity of the participating family firms.

Lastly, given the global predominance of family firms, our article raises some interesting issues for differences in managerial practices worldwide where SEW plays a vital role. For instance: Do we find differences in stakeholder management across regions as a function of how SEW is expressed (Berrone et al., 2014)? Should management training and education be tailored to the salience and specificities of SEW in distinct parts of the world (Gomez-Mejia & Balkin, 1992; Franco-Santos et al., 2017; Cabrera-Izquierdo & Gomez-Mejia, 2002; Gutierrez-Calderon & Gomez-Mejia, 1995)? Should human resource strategies reflect the nature of SEW among family firms as a function of cultural factors (Cruz et al., 2011; Gomez-Mejia & Welbourne, 1991; Miller et al., 2001; Gomez-Mejia, 1989)? Do leader beliefs in family versus non-family firms affect the adoption of corporate social responsibility policies in different nations (Gomez-Mejia et al., 1997; Hsueh et al., 2023; Mayo et al., 2016)? Does the presence of SEW lead to more innovative environmental strategies (Balkin et al., 2000; Berrone et al., 2013)? Does the incentive structure of the top management team operating in different national environments reflect the SEW utilities of dominant family owners and how this may affect firm performance outcomes (Aguinis et al., 2018a,b; Calabro & McGuiness, 2022)? Relatedly, are family firms less likely to relinquish control by avoiding the use of stock options for top executives (Martin et al., 2012, 2013, 2016; (Caranikas-Walker et al., 2008)? Does the compensation strategy for employees (Balkin & Gomez-Mejia, 1987, 1990; Gomez-Mejia, 1992) of family firms differ from that of non-family firms in various countries as a function of SEW intensity and sensitivity? Does the perception of self-efficacy among family owners and its impact on risk-taking reflect the importance of different SEW dimensions in various cultural settings (Martin et al., 2015)? How do different SEW dimensions interact to influence the management of other dimensions? For instance, if there are strong binding ties and identity (i.e., family is cohesive), are complex emotions better dealt with than if the family was more dispersed (Morgan & Gomez-Mejia, 2014)? Does gender make a difference in how family managers and employees are socialized across cultural settings regarding the importance of SEW (Gomez-Mejia, 1983)? How does SEW intensity and sensitivity in family firms affect the role of women in society and within organizations (Balkin et al., 2017; Davila, Gomez-Mejia, et al., 2023; Trevino et al., 2018)? Apart from the use of surveys, which is expensive, time-consuming, and inefficient (given low response rates), what other methodological techniques may be used to

capture the role of SEW in family firms across different nations, for instance, computerized environmental scanning techniques, (McCann & Gómez-Mejia, 1990, 1992)? These are examples of exciting questions that future research may pursue.

7. Conclusions

Family businesses represent influential and dominant organizations in LAC (Parada et al., 2016). They have been key players in the region’s economy (IFERA, 2003; Vazquez, 2017) and have sustained many difficulties through time (Ioan & Ioana, 2016), so their study has attracted increasing attention. Nonetheless, research has been limited in considering the relevance of the characteristics of the LAC context on the behavior of family businesses, and pivotal theories in the field have fallen into a context-less trap (Basco et al., 2019; Gomez-Mejia et al., 2020). Inspired by recent calls for a more context-sensitive approach in SEW research, we hope to motivate future research that incorporates this factor as a dimension that shapes family and business phenomena. Context-sensitive theories should empower researchers to take advantage of unique settings like LAC and contest the extent to which regional peculiarities challenge the status quo. In doing so, significant contributions will be made towards the relevance and validity of the SEW approach and, importantly, towards the place that business family research in LAC deserves.

In general, the LAC context poses challenges to conducting empirical research. The main one is the limitation of data, both in terms of depth and width. Most research is based on case studies with limited internal and external validity, making it difficult to understand the region, validate theories, and compare results with other settings. As models appear less sophisticated, the empirical contribution or place that LAC earns in management research is relegated. However, there are also many ways to advance in this regard. Crucially, there is an increasing incentive to conduct business family research in the region, and opportunities to develop the path are opening (Aguinis et al., 2020). One interesting challenge in testing the propositions that we advanced is the identification of other appropriate VUCA and non-VUCA contexts that may be used to meaningfully compare and contrast SEW-related LAC family firm processes and performance outcomes.

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