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THE MULTIBUSINESS PHENOMENON BEYOND CONGLOMERATES AND BUSINESS GROUPS: A CORPORATE MANAGEMENT PERSPECTIVE

EL FENÓMENO DE LAS EMPRESAS MULTINEGOCIOS MÁS ALLÁ DE LOS CONGLOMERADOS Y GRUPOS EMPRESARIALES: UNA PERSPECTIVA DE ESTRATEGIA CORPORATIVA

Luz María Rivas-Montoya^a · Diana Londoño-Correa^b

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Abstract

Businesses and not multibusiness firms are the ones that compete. While each business needs its own competitive strategy, multibusiness firms require corporate management for capturing synergies. The competitive view has triggered the emergence of multiple businesses within a single firm. Despite this, it is common to find managers who are unaware of the benefits that joint management brings to the performance of a multibusiness company. Managing multibusiness firms implies facing a paradox: leveraging business uniqueness while creating joint value for the multibusiness company. This paper characterizes the multibusiness phenomenon from the existence of ownership ties and coordinated actions, by qualitatively researching 21 Colombian multibusiness firms. It contributes to the managerial knowledge of these types of firms in two different ways: by identifying the multibusiness phenomenon in a variety of companies, and by highlighting the benefits of the joint management of a multibusiness firm.

Keywords: Multibusiness firm, business groups, conglomerates, formal ownership ties, coordinated action.

Resumen

Los negocios y no los grupos económicos son los que compiten. Mientras cada negocio requiere de su propia estrategia competitiva, una empresa multinegocios demanda, además, una administración conjunta que le permita capturar sinergias. La visión competitiva ha motivado el surgimiento de múltiples negocios en una empresa. Sin embargo, es frecuente que los gerentes no sean conscientes de los beneficios que la administración conjunta puede aportar a los resultados de la empresa multinegocios. Administrar una empresa multinegocios implica enfrentar una paradoja: apalancar la diferenciación de cada negocio y, simultáneamente, crear valor para la empresa multinegocios. Este artículo caracteriza el fenómeno multinegocios desde la existencia de vínculos de propiedad y acciones coordinadas, a partir de una investigación cualitativa en 21 empresas multinegocios colombianas. Por tanto, contribuye al conocimiento gerencial de empresas de este tipo de dos maneras: 1) por identificar el fenómeno multinegocios en una variedad de compañías y 2) por resaltar los beneficios de la administración conjunta.

Palabras clave: empresas multinegocios, grupos empresariales, conglomerados, vínculos formales de propiedad, acción coordinada.

^a Full professor at the School of Management, Universidad EAFIT, Medellín, Colombia. email: lrivasm@eafit.edu.co

^b Senior Lecturer at the School of Management, Universidad EAFIT, Medellín, Colombia. email: dlondono@eafit.edu.co

Introduction

A *multibusiness firm* is one that exhibits the multibusiness phenomenon. It is structured as a multi-unit organization and divided into different businesses that focus on particular product-market segments (Eisenhardt & Piezunka, 2011). Both conglomerates and business groups are multibusiness firms, but the multibusiness phenomenon is not exclusive to them. Recently, there has been a growing interest in business models and a fine-tuned competitive strategy for each of the businesses grouped in conglomerates, business groups or any other multibusiness companies. A first step towards managing a multibusiness firm is to be aware of the two levels of strategy: competitive and corporate. While each business needs its own competitive strategy, the multibusiness firm requires a corporate strategy in order to benefit from the coordinated actions between businesses. This means that there is no need to be big, diversified or the result of an M&A in order to exhibit the multibusiness phenomenon and to demand joint management.

The common factor between conglomerates and business groups is the multibusiness phenomenon, and with it comes the relevance of the joint management of the businesses (Ahuja & Novelli, 2017; Menz, Kunisch, & Collis, 2015). A *Conglomerate* is a group of autonomous business units operating in unrelated or weakly related industries. Conglomerates have been characterized by the diversity of industries wherein they compete (Bettis, 2017). On the other hand, *Business groups (BGs)* are an organizational model in which collections of legally independent firms are bounded together with formal and informal ties and use collaborative arrangements to enhance their collective welfare (Colpan & Cuervo-Cazurra, 2016). While the former have been mainly studied in the Anglo-Saxon contexts, the latter, business groups, have been mostly recognized in emerging markets (Colpan & Hikino, 2018). The management of a multibusiness firm can benefit from the literature of both conglomerates and business groups, independently of the context studied, since they address different ties and coordinated actions within a set of businesses. Ties between businesses can be formal or informal, but formal ties are a common feature between conglomerates and business groups. Ownership, a formal tie, is the most relevant when addressing joint management.

A joint management perspective implies coordinating actions between businesses. Generating greater economic value is the main reason for jointly managing different businesses. The joint management between businesses aims to increase profits and lower costs (Chandler, 1991; Foss, 1997; McConnell, 2016); in other words, the aim

is to capture synergies (Ahuja & Novelli, 2017; Ansoff, 1965; Eisenhardt & Galunic, 2000). For Prahalad and Doz (2003) the bundling benefit must be two-way: businesses must benefit from joint management, but at the same time, they must contribute to the company as a whole.

The multibusiness firm has been indirectly studied by corporate strategy researchers who have privileged the configuration of the business portfolio (What business to invest in? What business to divest?) and its effect over performance (Ahuja & Novelli, 2017). Recently, this stream of literature is valuing the role of joint management in the multibusiness firm by deepening research related to corporate centres and mechanisms to capture synergies. (Ahuja & Novelli, 2017; Menz et al., 2015). In Colombia, multibusiness firms have not been studied much, but there are references to business groups.

Business groups in Colombia have been studied mainly from the economic and financial perspective (González, Guzmán, Pombo, & Trujillo, 2012), as well as the historical (Dávila & Dávila, 2014; Rodríguez-Satizábal, 2014) and journalistic perspective (Silva-Colmenares & Padilla-Pardo, 2015). Among the issues addressed, four stand out: internationalization (De Villa, 2016; Ochoa, 2007; Silva-Colmenares & Padilla-Pardo, 2015), explanations for the existence of groups (Rodríguez-Satizábal, 2014; Wilches-Sánchez & Rodríguez-Romero, 2016), family groups (González et al., 2012; Rodríguez-Satizábal, 2014) and coordinated action (Londoño-Correa, 2003a, 2015; Rivas & Ponce, 2015). This literature characterizes Colombian groups, and emphasizes business portfolio research (Dávila & Dávila, 2014; De Villa, 2016; Londoño-Correa, 2003b, 2016; Rivas, 2015; Rivas & Ponce, 2015). The foregoing shows that the multibusiness phenomenon has also been studied indirectly in Colombia, since it has focused particularly on the largest and most recognized conglomerates and business groups, leaving out other types of multibusiness firms. It is possible to infer that the state of knowledge about the multibusiness phenomenon in Colombia is only emerging, since no studies have been identified on formal ties that encourage the multibusiness phenomenon, the actions that these companies coordinate and the reasons for doing so. Understanding the multibusiness phenomenon is the first step towards enriching the managerial criteria needed to face the challenges that a corporate management imply.

The question that guided this research was: How is multibusiness phenomenon characterized? And, other supporting questions, which emerged from the literature review, included: What formal ties characterize companies that exhibit the multibusiness phenomenon? What actions do they coordinate? Why do they coordinate

these actions? To answer these questions, a qualitative research was conducted in 21 companies that exhibit the multibusiness phenomenon, in six Colombian regions. Four criteria were considered when selecting these companies: multibusiness character validated by the company's website; national capital recognized in the company declared history; regional representativeness; and access to information. The data collection techniques included documentary review and semi-structured interviews with top managers, while open and selective coding was used for its analysis.

This paper contributes to the managerial knowledge of multibusiness firms in two different ways: by identifying the multibusiness phenomenon in a variety of companies and by highlighting the benefits of the joint management of a multibusiness firm. From the existence of formal ownership ties (that vary between holding 100% thereof and minority shareholdings) and the coordinated action between businesses, it was possible to infer the existence of multibusiness phenomenon within different types of companies. The variety of companies is expressed by characteristics such as: different sizes, family and non-family owned, public or private capital, competing in related and unrelated industries, with different seniority and located both in the capital of the country or in its different regions. The analysis of coordinated actions showed the existence of relationships of subordination as well as of collaboration, which benefits not only from value generation and cost reduction as expressed in the literature, but also from risk mitigation. Also noteworthy among the coordinated actions is the variety of functions that the corporate centres perform, classified in this paper as internal and external.

The Multibusiness Phenomenon in the Corporate Strategy Literature

The multibusiness phenomenon has been studied on corporate strategy literature by addressing two main questions: 1. Which businesses to be in? 2. How to jointly manage the businesses? (Menz et al., 2015; Michael Porter, 1987). This body of knowledge refers both to the portfolio configuration and to the joint management of conglomerates and business groups. The multibusiness phenomenon appears when a firm controls more than one business and, therefore, carries out coordinated actions not exclusively from relationships of subordination, but also from those of collaboration. These coordinated actions promote the achievement of objectives of both multibusiness firms' and each one of the businesses.

In the corporate strategy literature, it is possible to differentiate between studies on conglomerates in Anglo-

Saxon contexts and those of business groups, primarily from emergent countries (Colpan & Hikino, 2018). A *Conglomerate* is a group of autonomous business units operating in unrelated or weakly related industries (G. Davis, Diekmann, & Tinsley, 1994, p. 552). Those who study the multibusiness phenomenon within the framework of conglomerates, privilege ownership ties that establish legal relationships of subordination (Bettis, 2017). On the other hand, *Business groups (BGs)* are an organizational model in which collections of legally independent firms are bounded together with formal and informal ties and use collaborative arrangements to enhance their collective welfare (Colpan & Cuervo-Cazurra, 2016). The definition of *Business Groups (BG)* is inspired by the ideas of Leff (1978) and Granovetter (1994), that support much of this literature (Carney, Gedajlovic, Heugens, Van Essen, & Van Oosterhout, 2011; Colpan & Hikino, 2018; Hoskisson, Johnson, Tihanyi, & White, 2005; Kandel, Kosenko, Morck, & Yafeh, 2018; Lamin, 2013; Ramachandran, Manikandan, & Pant, 2013). Leff refers to business groups as multicompany firms which transact in different markets, but does so under common entrepreneurial and financial control (1978, p. 663). Granovetter, for his part, defines business groups as "sets of legally separate firms bound together in persistent formal and/or informal ways." (1994, p. 429). These business group definitions refer to a set of firms and Khanna and Rivkin (2001) specify that they are legally independent, and emphasis is placed on the formal and informal ties that keep business groups together. The idea of *legally independent firms* refers to companies with a different legal status and independent boards of directors yet interested in the benefits of coordinated action (Colpan & Cuervo-Cazurra, 2016; Khanna & Rivkin, 2001). Khanna and Rivkin (2001) also highlight coordinated action as a characteristic of business groups.

Business groups are acknowledged in diverse countries such as Japan (keiretsus), India (Business houses), South Korea (Chaebol), Hong Kong (Hongks), Taiwan (Guanxiqiye), China (Qiye jituan), Russia (oligarchs) and Latin American countries (economic groups) (Carney et al., 2011; Colpan & Hikino, 2018; Khanna & Rivkin, 2001; Leff, 1978). Both conglomerates and Business groups jointly manage different businesses, and what is common between them is the multibusiness phenomenon. This is evident when looking closely at the set of businesses and not only at the company as a legal entity. From a competitive strategy perspective, businesses are the ones that compete, they have to create and sustain a competitive advantage through a close understanding of clients and what they value most (Christensen, Hall, Dillon, & Duncan, 2016; Porter, 1987). From a corpo-

rate management perspective, both business groups and conglomerates need to be managed taking into account a paradox: leveraging business uniqueness while creating joint value for the company (Birkinshaw, Crilly, Bouquet, & Lee, 2016). Both, the definitions of conglomerate and business group, refer to the multibusiness phenomenon as a common characteristic.

Multibusiness phenomenon can be identified upon the existence of both, formal ties and coordinated actions. The *formal ties* recognized in the literature from conglomerate and business groups are those related to ownership. Such ownership is proportionally represented in the company's board of directors, while a common dominant owner prevails. Even though the literature from business groups considers informal ties as a main characteristic, in this research, the idea of multibusiness phenomenon privileges formal ties and leaves out informal ties such as director interlocks and family ties (Fariás, 2014; Khanna & Rivkin, 2001; Khanna & Yafeh, 2007; Vanoni-Martínez & Rodríguez-Romero, 2017) and others that are difficult to observe (Khanna & Rivkin, 2006). Ownership has a direct effect on the way that corporate management can influence businesses, and this is not the case for informal ties.

In terms of coordinated actions, it is possible to identify three: portfolio definition, internal and external management. Through these corporate functions, it is possible to create value and reduce costs. Portfolio definition answers questions about the businesses or markets in which a multi-business firm could invest or those businesses that they should be divested (Campbell, Goold, Alexander, & Whitehead, 2014). Therefore, portfolio definition's actions can be: mergers and acquisitions (Krühler, Pidun, & Rubner, 2012; Menz et al., 2015), divestments (Krühler et al., 2012), ventures (Kunisch, Schimmer, & Müller-Stewens, 2012; Menz et al., 2015) and alliances (Menz et al., 2015). Internal management is motivated by the idea of capturing synergies and is always discretionary. Synergies can be achieved by sharing resources and capabilities between businesses (Ahuja & Novelli, 2017; Eisenhardt & Galunic, 2000; Goold & Campbell, 1998; Goold, Campbell, & Alexander, 1994). Besides, external management can be mandatory or discretionary (Collis, Young, & Goold, 2012). Mandatory refers to those required by law for conglomerates or legally defined business groups. On the other hand, external discretionary functions are the ones that respond to different stakeholders and Government.

Some examples of internal management functions include: funding, brand sharing, selling products and providing services among the grouped businesses, recruiting managers, making joint investments, rotating talent, exchanging resources and information, joint capital

raising, among others (Khanna & Rivkin, 2001; Krühler et al., 2012; Lamin, 2013; Young & Goold, 2000). And examples of external functions include: Lobbying (Khanna & Rivkin, 2001), corporate social responsibility, and regional development (Londoño-Correa, 2003a).

These corporate functions are usually performed by the highest-level hierarchy in the company, called corporate centres. Corporate Centres (CC) are the central organizational unit in a contemporary corporation (Menz et al., 2015) and they are also known as general offices (Chandler, 1991), Central Commands (Birkinshaw, Braunerhjelm, Holm, & Terjesen, 2006; Young & Goold, 1993) parent companies (Goold, Campbell, & Alexander, 1995) and administrative headquarters (J. C. Davis & Henderson, 2008). A corporate centre can be an independent unit or be immersed in the most important business of the firm (Collis et al., 2012; Young & Goold, 2000). Another organizational unit that usually appears when jointly managing are the so called Shared Services Centres (SCS) that focuses on cost reduction by standardizing supporting processes of the different businesses (Ulbrich, Schulz, & Brenner, 2010).

The literature of both business groups and conglomerates allow us to contrast some differences in the expression of the multibusiness phenomenon that could help with the identification of its existence and the analysis of the way multibusiness firms are managed (see Table 1).

Table 1 synthesizes the literature on conglomerates and business groups and integrates characteristics from both in a more generic framework: the multibusiness firm. The idea is not to restrict the research to the previously established classifications (conglomerates - Anglo-Saxon contexts; business groups - other countries), but to deepen the two main characteristics relevant for corporate management: ownership ties and coordinated actions.

From this synthesis, three propositions guided the analysis of the empirical evidence:

1. The multibusiness phenomenon can be identified from the existence of ownership ties and coordinated action.
2. The corporate management of a multibusiness firm is motivated by two objectives: value creation and cost reduction for all the businesses.
3. The multibusiness phenomenon is present not only in business groups or conglomerates but in a variety of companies.

Methodology

How is multibusiness phenomenon characterized? That is the question guiding this research. Such inquiry

Table 1. Conceptual framework to identify the multibusiness phenomenon

	Business groups	Conglomerates	Multibusiness firm
Characteristics			
Ownership Ties	May hold less than 100% ownership.	100%	Varies between 100% and shareholder minority.
Coordinated Action	Subordination Collaboration	Subordination	Subordination Collaboration
Portfolio Definition	Decisions on industries and business selections. Diversity in modes of development.	Decisions on selection of industries and businesses. Acquisitions as a development mode.	Decisions on industries and business selections. Diversity in modes of development.
Internal management	It is possible to centralize some activities in order to lower costs or to generate more value for all businesses.	It is possible to centralize all activities that generate value for the conglomerate.	It is possible to centralize some activities in order to lower costs or to generate more value for all businesses.
External management	Some relations with the Government and other stakeholders are established, as long as they generate benefits for all the businesses.	Relations are established with the Government and other stakeholders.	Some relations with the Government and other stakeholders are established, as long as they generate benefits for all the businesses.

Source: Authors' own elaboration

requires descriptive answers that aid in recognizing characteristics and patterns of social phenomena (Blaikie, 2007, p. 6). Therefore, the qualitative data collected account for the specificities of the companies exhibiting the multibusiness phenomenon and the way in which this phenomenon is expressed. The literature review inspired supporting questions: What formal ties characterize firms that exhibit the multibusiness phenomenon? What actions do they coordinate? Why do they coordinate these actions? In order to answer these questions, we opted for a criterion-type purposeful sampling, which selects cases that respond to certain guidelines that safeguard the quality of the research (Patton, 2002, p. 243). Therefore, companies that met the following two criteria were chosen: multibusiness character validated by the company's website, and possibility of access to further information. Initially, we started by reviewing a company's list published in one of the most influential economic newspapers in Colombia (LaRepublica, 2015). Thereafter, the multibusiness character was validated on the website of each company. For these, we looked for the description of various businesses in their strategic statements and organizational charts.

Once the first list of companies that exhibit the multibusiness phenomenon had been composed, an appointment was made to interview the top managers of 32 firms, through the submission of a formal letter endorsed by EAFIT University. Also, e-mails were sent through the *Contact Us* section of their web pages. Of these 32 applications, only four companies granted us an interview. This confirms the difficulty of accessing information for research regarding companies in emerging countries (Khanna and Rivkin, 2001) and, specifically,

in Colombia (Rodríguez-Satizábal, 2014, p. 36). Given the precariousness of the responses to our request, personal contacts were sought with top managers from multibusiness firms. Finally, we could integrate a list of 21 companies that exhibit the multibusiness phenomenon (see Table 2).

Data collection was carried out through documentary review and semi-structured interviews of top managers, i.e., those who had knowledge and direct contact with the joint management of the grouped businesses. The documentary review consisted mainly of websites and annual reports. For both, the documentary review and the interviews, a guideline was constructed in order to gather the information needed to answer the research questions (Patton, 2002, p. 349) (see Appendix A). Prior to the interview, the guideline was completed with the information from the documentary review. During the interview, previously identified information was confirmed and supplemented. Authorization to record the interview with the top managers was obtained from 20 of the 21 companies. In 19 of the 21 companies, personal interviews were conducted (Galindo, 1998, p. 41), and at least two interviewers were present for the purpose of contrasting perceptions and interpretations at the time of data analysis. For this data analysis, an open and selective coding was carried out, which enabled the construction of descriptive tables on the main concepts that guided the data collection. These concepts are synthesized categories presented in table 1 that supported the data in order to answer the questions (Patton, 2002, p. 456). Table 2 shows the companies studied that exhibit the multibusiness phenomenon, as well as the role of the interviewees and the interview date.

Table 2. Multibusiness firms studied

Colombian Region (see Appendix B)	MBF's Name	Role of interviewee	Date of interview (2017)
Caribe	Procaps	Chief executive Officer (CEO)	Jun-08
	Olímpica	Chief Finance Officer (CFO)	Jun-08
	Promigás	CEO	Apr-25
Bogotá, Capital district	Organización Terpel	Chief Marketing Officer (CMO)	Apr-26
	Alquería	Administrative and Financial Director	Apr-25
	Valorem	Vice-president of Corporate Affairs	Apr-26
Santander	Vanguardia Liberal	CEO	Jun-21
	Grupo OBA	CEO	Jun-21
	Grupo Marval	CEO	Jun-21
		Chief Administrative Officer (CAO)	Jun-21
Antioquia	Grupo Orbis	CEO	Mar-03
	Grupo Nutresa	CEO	Apr-03
	Grupo EPM	CEO	Mar-30
	Grupo Suramericana	CEO	May-16
	ISA	CEO	Apr-18
	Grupo Argos	CEO	May-30
Valle del Cauca	Colombina	Chief of Strategy Officer (CSO)	May-02
	Organización Carvajal	CEO	May-02
		Member of the Board of Directors	Jun-02
Eje Cafetero	Grupo Arme	CEO	Apr-17
	Tecnodiesel	CEO	May-12
	Gensa	CEO	Apr-28
	Grupo empresarial Frisby	CEO	Apr-28
		Co-founder	

Source: Authors' own elaboration

The qualitative nature of this study on the multibusiness phenomenon does not allow for the generalization of the results of all companies; however, it does facilitate characterizing this phenomenon from the perspective of the top management executives, accountable for managing the multibusiness firms.

Characterization of the Multibusiness Phenomenon

The study of 21 Colombian firms that exhibit the multibusiness phenomenon recognizes the ownership ties and coordinated actions that characterize them. The data revealed specificities of the companies that exhibit it. In identifying the businesses of each company studied, a variety of entities came to light: legally independent companies, business units and even projects.

For instance, Grupo Argos coordinates the activities of independent companies traded on the Stock Market (Celsia), while Procaps coordinates business units, and Marval, as usually happens in construction companies, coordinates projects in different regions of the country, but manages them as independent businesses. Table 3 shows the characteristics of the multibusiness firms and the activity that gave rise to the company, the industries in which they currently compete, as well as the number of entities each company comprises, and the business divisionalization criteria.

As can be seen in table 3, seven of the companies that exhibit the multibusiness phenomenon studied were founded before 1950. The equity that gave rise to the companies founded in this first period was private.

Table 3. Expression of the multibusiness phenomenon in the 21 Colombian companies studied

Multibusiness Firm and year of foundation	Core Business Activity	Industries	Grouped entities (2017)	Divisionalization criteria
Procaps 1977	Pharmaceuticals	Pharmaceutical	5	Customer segment (CS), Product/service (P/S)
Olímpica 1953	Retail trade	Retail, Finance, Broadcasting, Pharmaceutical, Food Processing, Airport concession contracts.	15	P/S
Promigás 1958	Transport and Distribution of Energy	Gas Production and Distribution, Port Activities and Services	18	P/S, Geographical area (GA)
Organización Terpel 1968	Transport and Distribution of Energy	Fuel and Gas Wholesale and Retail Oil and Lubricants, Convenience stores and other services	3	P/S, CS
Alquería 1959	Dairy Producer	Dairy products processing, wholesale trade of food products.	25	CS, product attributes (PA)
Valorem 1997	Investment	Investments, Media and Entertainment, Logistics and Transportation, Real Estate, Environmental Services, Retail.	13	Industry (I)
Vanguardia Liberal 1919	Media	Media and Publishing, Investment, Real Estate.	5	P/S GA
Grupo OBA 1974	Marketing of textile products	Wholesale trade of textile products, Logistics and Financing.	6	Value chain (VC) I
Marval 1976	Building and Construction	Construction, Real Estate	80	Project, GA
Grupo Orbis 1921	Trade	Wholesale trade, Manufacture of paints, water pipes, chemicals.	4	VC, I
Grupo Nutresa 1920	Processed Food Manufacturing and Marketing	Processed Food Manufacturing and Marketing, Retail Food, Investments.	44	P/S, VC
Grupo EPM 1955	Home utilities	Generation, Transmission, Distribution and Marketing of Electricity, Water Treatment and Distribution, Wastewater Evacuation and Treatment, Gas Production and Distribution.	14	P/S VC
Grupo Suramericana 1944	Insurance	Insurance, Social Security and Health Services.	9	P/S
ISA 1967	Electrical interconnection	Electric Energy Transport, Information and Communications Technology, Road Concession, Real-Time System Management.	48	P/S
Grupo Argos 1934	Cement	Cement, Energy, Road and Airport Concessions, Ports and Coal.	91	P/S, I
Colombina 1927	Confectionery	Processing and Marketing of Food	6	Product/service
Organización Carvajal 1904	Publishing	Packaging, Education, Technology and Services, Communications Solutions, Furnishing Solutions and Architectural Spaces, Fine printing, Office Supply and Writing Papers.	7	P/S, I
Grupo Arme 1973	Metallurgical Manufacture	Manufacture and Marketing of Metal Products Manufacturing and Marketing for Structural Use, Vehicle Distribution.	5	P/S
Tecnodiesel 1979	Power Generator Retail	Power Generator Retail, Electrical and Automotive Machinery and Equipment.	4	P/S
Gensa 1993	Electricity generation	Generation and Commercialization of Energy, Project Management and Maintenance of Power Plants.	3	P/S
Grupo empresarial Frisby 1977	Fast Food Restaurants	Food Production, Fast Food Restaurants, Franchises, Events.	4	P/S, VC

Source: Authors' own elaboration

Between 1951 and 1997, the other 14 companies studied were founded. Within this group, 5 are dedicated to home utilities and energy transportation and distribution, and 4 of these companies were created by the Government, both at a regional and national level. Most of the firms (8) were created between 1961 and 1980. As for their family character, 12 of the 21 companies are family-owned. All of the companies that were born as family owned businesses continue to be recognized as such after their growth into multibusiness firms. Moreover, the case of Tecnodiesel also stands out, as it emerged from a business partnership and was later acquired by a family that currently manages it (see table 3). Of the multibusiness firms considered, 9 compete in the Colombian and Latin American markets. In turn, Nutresa, Argos, and Colombina are also doing business in countries such as the United States and Spain.

As shown in table 3, the firms that exhibit the multibusiness phenomenon analysed had their origins in one economic activity and, as they grew, decided to set up new businesses. In all cases studied, the activity of the original business remains. Table 3 also makes it possible to compare the diversity of the industries wherein the 21 companies studied compete. For example, Procaps has undertaken three different businesses within the same pharmaceutical industry. Nutresa (Processed Food Manufacturing and Marketing) and Suramericana (Insurance) have entered into different but closely related businesses. In contrast, Olímpica has diversified into industries such as pharmaceuticals, airport concessions, food manufacturing, among others.

The analysis of the industries where the companies studied compete made evident the investments in the same extended value chain. For instance, Olímpica was born as a Food Retailer and later entered into food processing and logistics. It is also possible to observe this phenomenon when wholesale trading companies, such as Grupo OBA, complement their services to current or future customers with logistics and financial operations. In contrast, Valorem's investment criteria do not focus on the value chain, for it rather favours disruptive business models with the potential to generate over double-digit returns.

In relation to the divisionalization criteria, 15 companies use the products-and-or-services criterion to separate businesses. ISA and Colombina are examples of this. In the first case, the company's businesses include electricity transmission, information technology, road concessions and real-time systems management, while Colombina's businesses include ice cream and sauces, biscuits and cakes, confectionery and preservatives. Colombina also applies the geographic zone criterion for two businesses: Capsa Guatemala and Alcalá de Henares

Plant. Customer segment criteria and product attributes have also been considered when divisionalizing their businesses. Alquería focuses on the benefits that its customers derive from the product's attributes: nourishment, well-being, indulgence and snacking. On the other hand, Organización Terpel combines the product/service criteria with the following types of customers: gas stations, complimentary services, lubricants, aviation, industry, and marine-related.

The following sections describe some evidence of the ownership ties and examples of coordinated actions that characterize the multibusiness phenomenon in the analysed companies.

Ownership Ties

The most obvious formal ties which define the 21 firms that exhibit the multibusiness phenomenon in Colombia, are ownership relations. These relationships may be holding 100% of ownership, command & control and minority shareholdings. Out of the 21 companies, 20 provided information on ownership relationships. Among these, 7 have 100% ownership of the businesses they group together (see table 4). Most of the companies studied (10) combine holding 100% of the company and command & control. On the other hand, Promigas, Valorem and ISA have all three types of ownership relations, that is, they are also interested in minority shareholdings.

Thanks to the interviewee's testimonies, it was possible to differentiate positions in relation to ownership. Some considered 100% ownership essential to coordinate actions, as is the case of Procaps, where the internally developed knowledge and innovation, are highly valued and protected.

Coordinated actions

Once the shift from a stand-alone business to a multibusiness firm is carried out, the corporate centre performs three types of corporate functions: portfolio definition, external and internal management.

Portfolio Definition

Portfolio refers to the set of companies, businesses or projects that make up the multibusiness company. The portfolio definition function was identified at two points in time: when the original business splits off, or when it creates or acquires other businesses and, subsequently, when it implements its development or divestiture strategy. When faced with their company's development and divestiture mode (the former understood as the mechanisms through which companies grow into other busi-

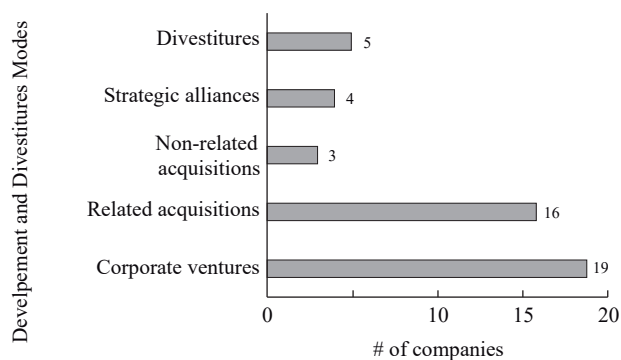
Table 4. Ownership ties in the Colombian Multibusiness Companies studied

Name	Ownership Ties		
	100%	Command & control	Minority shareholding
Procaps	X		
OBA Group	X		
Marval	X		
Grupo Suramericana	X		
Colombina	X		
Tecnodiesel	X		
Grupo empresarial Frisby	X		
Olímpica	X	X	
Gensa	X	X	
Alquería	X	X	
Grupo Arme	X	X	
Vanguardia Liberal	X	X	
Organización Carvajal	X	X	
Grupo Orbis	X	X	
Grupo Nutresa	X	X	
Grupo EPM	X	X	
Grupo Argos	X	X	
Promigás	X	X	X
Valorem	X	X	X
ISA	X	X	X
Terpel Organization		(NI)	

Source: Authors' own elaboration

nesses and the latter as the exit from a business) the interviewees stated that they use different modes of development (see figure 1).

Figure 1. Modes of development and Divestiture



As can be seen in Figure 1, most of the 21 companies studied opt for corporate ventures and related

acquisitions. Strategic alliances and non-related acquisitions are the least common. Only 5 companies acknowledged having made divestitures. It is common to find combinations of development modes, the most frequent being corporate ventures and related acquisitions. Besides, 5 of the 21 companies combine 3 or 4 modes of development: Olímpica, Alquería, Vanguardia Liberal, Nutresa and Colombina. In contrast, Valorem only uses non-related acquisitions, while Oba and Marval only use corporate ventures. Promigas, Vanguardia Liberal, Nutresa, Suramericana and Arme acknowledge having carried out divestitures.

Internal management

Internal management refers to centralized administrative activities. These activities are carried out from corporate centres that may be independent or immersed within the original company. Of the 21 companies analysed, 14

have independent corporate centres and 7 have immersed corporate centres. All of the companies studied reported centralizing the financial functions. Also, 9 of them centralize transactional administrative activities such as payroll, procurement and information technology, through a Shared Service Centre (SSC). The companies that have independent corporate centres and also have a SSC are: Procaps, Promigás, Alquería, Orbis, Nutresa, Suramericana, EPM, Carvajal and Arme.

External management

External management accounts for how each multibusiness company relates with the Government, and other stakeholders, either directly or through business associations. Of the 21 companies that exhibit the multibusiness phenomenon studied, 19 acknowledge that they perform external management activities vis-à-vis the Government. The companies that undertake external management directly do so through their Chief Executive Officer (CEO) (12 of them) and the Chief Legal Officer (CLO) (12). It should be noted that in 8 of the 12 companies that are family businesses, the family plays a leading role in external management. In relation to the other stakeholders, 14 companies relate to them through their own Non-Governmental Organization (NGO). Since we are not focusing exclusively on legally recognized business groups, we did not ask for mandatory external functions.

Table 5 contrasts the main characteristics of the multibusiness phenomenon with the empirical evidence.

Reasons for Coordinated Action

The reasons stated by the interviewees for coordinating actions, fall into three categories: generating new value for the business, cost reduction and risk

mitigation. For 8 of the 21 companies studied, new value generation justifies being part of the multibusiness company, whereas for three of them the main reason is the reduction of costs, and 9 of them argued both reasons. When referring to new value generation, some reasons include: avoiding the commoditization of their products, brand development for products and services, greater value generated by the support of the multibusiness firm (being worth more due to being part of), generation of new knowledge, intellectual agenda in the training of managers, disclosure of hidden value from collaborations between businesses and the corporate headquarters, among others. The main reasons given regarding cost reductions are non-replicated processes, legal efficiency to manage independent companies, lower interest rates and higher quotas in bank loans for group negotiations, operational efficiencies in information technology and supply, control and optimization of resources. Also, interviewees referred to risk mitigation as an important reason for jointly managing the businesses.

Aside from the economic objectives that drive the existence and management of the multibusiness firms, the interviewees expressed concern regarding carrying out activities that favour regional and national development. Of those interviewed, 14 explicitly expressed an interest in regional development, arguing issues such as the need to create jobs, support culture and improve the conditions of disadvantaged local communities.

Discussion

Contrasting the conceptual framework and the findings of this study (table 5) allowed for the identification of the multibusiness phenomenon from the existence of ownership ties and coordinated actions. These research findings confirm that the multibusiness phenomenon is the

Table 5. Conceptual Framework vs findings

	Multibusiness firm	MBF studied
Characteristics		
Ownership Ties	Vary between 100% and shareholder minority	100%, command & control and minority shareholdings, and combinations
Coordinated Action	Subordination Collaboration	Subordination and collaboration
Portfolio Definition	Decisions on industries and businesses selection. Diversity in modes of development.	Related acquisitions and corporate ventures, mainly
Internal management	It is possible to centralize some activities in order to lower costs or to generate more value for all businesses	Value generation Cost reduction Risk mitigation
External management	Some relations with the Government and other stakeholders are established, as long as they generate benefits for all the businesses	Government Relations Other Stakeholders through NGO Interest in regional and national development

Source: Authors' own elaboration

outcome of strategic actions upon growing into new businesses or splitting off from the original one. When a set of businesses is formed, particular ways of managing are set up, which complement the management of a stand-alone business. This corporate management finds support for a variety of ownership ties. For some, it is based on 100% ownership of the entities they group together (similar to conglomerates). Others combine 100% ownership with command & control, while a third group employs the three ownership ties: holding 100% ownership, command & control and minority shareholding. It is important to highlight that in some of the multibusiness firms studied, the three alternatives are used simultaneously.

In light of coordinated actions, external management stands out as a function carried out by most of the studied firms. The analysis of internal management in the multibusiness firms studied shows different degrees of formalization within the joint management. While some have corporate centres immersed within the original business, others have independent ones and even shared service centres (Goold, Campbell, & Alexander, 1998). As for the definition of their portfolio, corporate venture can be recognized as the main mode of development, usually combined with related acquisitions. This can be explained by the concern of sharing resources and capabilities in pursuit, not only of new value creation or cost reduction, but also for risk mitigation. This finding complements Chandler's and Foss' ideas about corporate management. The coordinated actions that characterize the multibusiness phenomenon in the firms studied, shows that their reasons declared for grouping are not only due to the improvement of the company's economic performance by capturing synergies. In some cases, they also pursue regional and national development purposes.

Empirical evidence suggests that formal ownership ties are related to the degree of activities that they choose to coordinate. Thus, companies holding 100% ownership showed greater centralization of activities through corporate centres and an SSC. In contrast, minority shareholding restricts the possibilities of coordination and centralization to those activities that business managers consider relevant for their competitive strategy. In other words, in the presence of minority shareholdings it is not enough to only benefit the multibusiness firm, instead, it has to directly benefit each one of the businesses involved. These different degrees of ownership ties can explain the collaborative relationships between grouped entities rather than those of subordination as occurs within conglomerates.

Aside from formal ownership ties, legal acknowledgment ties were identified as another criterion for validating the existence of a business group in Colombia. This

means that formal ties may pertain to ownership or legal acknowledgment; however, the latter is not a condition for the existence of the multibusiness phenomenon.

Colombian firms that exhibit the multibusiness phenomenon indicate that it is present in companies which are large and small, family and non-family owned, of public and private equity, competing in different industries, related or unrelated, have different seniority, and are located both in the capital and in the different regions of the country. The 21 firms analysed account for this variety. For example, Nutresa is recognized as a large multibusiness firm, not only because its CEO claims coordinating activities of 73 companies, organized into 8 businesses, but also, he asserts that Nutresa has more than 35,000 employees in Colombia and more than 12,000 abroad. Moreover, this group is not a family business, its equity is private. Nutresa competes in the food industry, and it was founded almost 100 years ago in a city different from the capital of the country. In contrast, Tecnodiesel is another company that also presents the multibusiness phenomenon. It is family owned and coordinates 4 different businesses. It was created in a city different from the capital of the country, almost 40 years ago. Tecnodiesel claims to have approximately 250 employees.

An additional expression of this variety arises when analysing companies that compete in the industrial chain of the energy industry. In this case, there were large government-owned companies, such as EPM, but also private companies such as Promigas and some other smaller ones, such as GENSA. As can be seen, the multibusiness phenomenon is not limited only to family groups (Rodríguez-Satizábal, 2014).

Conclusions

The multibusiness phenomenon in Colombia is expressed in a variety of companies characterized by ownership ties and coordinated actions. This kind of phenomenon emerges when a company moves from a single business to several. This way of growing leads to complementing the management focused on creating and sustaining the businesses' competitive advantages, with corporate concerns; for instance, creating a greater economic value for the multibusiness company while reducing costs for the businesses and mitigating risks.

The formal ties that characterize the 21 multibusiness companies studied are those of ownership ties. The actions coordinated by these companies fall into three groups: portfolio definition, external management, and internal management. Portfolio definition highlights the combination of development modes between corporate ventures and related acquisitions.

Most of the multibusiness firms studied perform external management, with the Government and other stakeholders. When it comes to the Government, the responsibility assumed by top management and families (in the case of family businesses) complement the role played by general and specialized business associations. NGOs are also highlighted as the mechanism through which they interact with other stakeholders.

All the companies studied carry out internal financial management activities. In the case of multibusiness firms that centralize transactional activities such as payroll, some purchases and the handling of information technology is carried out through an SSC. The reasons for all the coordinated actions include, not only achieving economic objectives, but also regional and national development.

It seems that the degree of corporate coordinated actions depends on the ownership ties between the grouped entities. This relationship deserves further studying. Likewise, it would also be desirable to study activities and processes that, while generating new value, they can also reduce costs, and vice versa. Moreover, it is necessary to investigate in greater detail, the relationships of subordination and collaboration among the grouped entities. It would be desirable to analyse both hierarchical relationships and lateral mechanisms that facilitate or inhibit new value capturing, cost reduction and risk mitigation. In the same vein, it would be worth comparing the criteria for separating the entities grouped into business units, as well as the criteria for choosing the development modes that configures the company's business portfolio.

One of the limitations of this study is the focus on top management. This becomes an invitation to complement the views of top management with the ones of other hierarchical levels in the multibusiness firms.

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Appendix A. Documentary review and Interview Guide

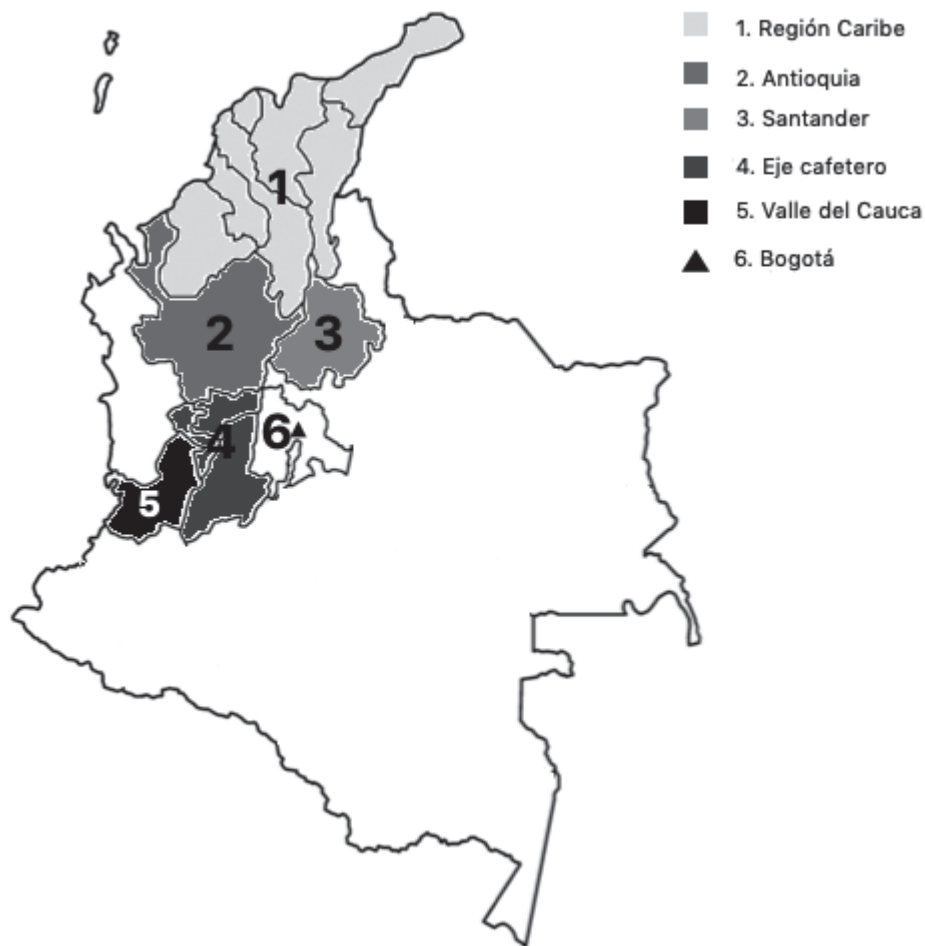
Multibusiness Firm Name			
Interviewee			
Interviewers			
Category	Subcategory	Description	Source
Basic description	Origin of the capital		
	It is recognized as familiar group		
	Principal domicile		
	Sectors in which they declare to participate		
	Number of enterprises that they group		
	Name of the enterprises that they group		
	Countries in which it operates		
	Number of employees		
	Year of original foundation		
	Annual sales consolidated in dollars for 2016		
	Equity consolidated in dollars for 2016		
Property ties	Relationship between sectors	What relationship of similarity or complementarity exists between the different businesses?	
	% of declared participation		
	Mode of development	Which is the mode of current development? Internal entrepreneurship? Partial or total acquisitions? Joint ventures?	
Purpose	Purpose	Why is the group kept under a joint management?	
	Portfolio Definition	Who defines the portfolio of businesses that integrate the group?	
	External management		
	Internal management	What activities are centralized?	
Joint Management	Rights of decision	Who has and how are the rights of decision making assigned?	
	Definition of the strategy	Who participates in the definition of the competitive strategy of the businesses? When does the corporative centre intervene in the business management?	
	Communications		
	Performance tracking	How do you track the performance of the businesses?	
Structure	Group	Number of employees Type of structure	
	Corporate centre	Number of employees	
	Shared services centre	Number of employees	
	Lateral mechanisms	How and in which spaces do you establish lateral relationships between the businesses?	

(Continued)

Appendix A. Documentary review and Interview Guide

Category	Subcategory	Description	Source
Synergies	Oriented to new value creation	Examples	
	Oriented to costs reduction	Examples	
	Origin from corporate centre or by collaboration between units	Who had the idea of these synergies?	
	Maturity in the search for synergies	Since when have you been looking for the synergies? Are they more oriented towards efficiency or knowledge?	
	Mechanisms of coordination for the capture of synergies	Who promotes and participates in the processes of capturing the synergies? How do you do it?	
	Synergies oriented to clients	How do customers benefit from the synergies that you achieve?	
	Performance indicators	How do you measure the capturing of the synergies?	
What did we not ask, and you think it is important in terms of the management of the business conglomerate?			

Appendix B



“Colombia is a country of cheerful, warm and authentic people, the fruit of a historical legacy of different cultures and ethnicities. More than 200 years ago, Spaniards, indigenous people and Africans participated in the conception of our identity” (Procolombia, 2019). Colombia’s surface area has 1,141,7 square kilometres (TheWorldBank, 2019). In 2018, it had 43,835,324 inhabitants, of which 77.1% lived in municipal areas (DANE, 2019). The Gross Domestic Product in 2018 was US\$330,228 billion (TheWorldBank, 2019).