Corporate Governance in Family Owned Businesses in Pakistan: A Conceptual Framework

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Abstract

Purpose: The study explores and contests the notion of corporate governance in the business environment of Pakistan. Previous corporate governance studies have failed to examine the impact of informal institutions, which are embedded in socio-cultural features, on corporate governance of a given country. To develop a better understanding of family firms' corporate governance, salient features of different theories are used to provide appropriate explanation about the differences in corporate governance mechanism in Pakistan.

Design/methodology/approach: This paper uses the institutional voids argument to examine the Pakistan's corporate governance environment. Based on socio-cultural characteristics, the paper outlines the essential fundamentals of Asian business groups and networks, and their relevance in corporate governance. Based on this framework, the authors argue that the corporate governance of Pakistani family firms is best understood by connecting it with the dynamics of business groups and networks.

Practical Implications: The paper underlines why it is important to examine corporate governance within the context of informal institutions that dominate the Pakistan's business context. Different theoretical perspectives are used to underline the relevance of business groups and networks for family firms and the way they affect corporate governance in Pakistan.

Originality/Value: By exploring corporate governance in a business environment which is embedded with socio-cultural elements and institutional voids, the authors identify knowledge gap when it comes to examine corporate governance in Pakistan. This approach may stands valid for countries having similar corporate environment.

Key words: Corporate governance, family firms, business groups, networks and institutional void.

Paper type – Conceptual paper

1. Introduction

The notion of corporate governance defines a combination of relationships between stakeholders, mainly composed of a company's management, its board and its shareholders to improve organizational efficiency and market competitiveness (Gompers et al., 2003). To develop and sustain an orderly corporate governance mechanism in any country, a necessary condition is to develop an orderly market mechanism under which proper rules and regulation are framed to standardize and protect the activities and legitimate rights of companies and stakeholders (Hua et al., 2006). Further, in order to offer greater transparency to the principal stakeholders, corporate governance should be achieved through main corporate governance elements such as board supervision, auditing process and financial disclosure as well as institutional and societal arrangements (Deakin and Hughes, 1997).

It has been reported that corporate governance approaches are deeply influenced by the historical, political, industrial, social and cultural contexts of a country (Hua et al., 2006). These contextual elements are relevant for efficient economic governance as they help in reducing the uncertainties associated with economic transactions. Under these contextual elements, it is reported that corporate governance varies across countries (Lubatkin et al., 2005). Personalized and relational aspects govern corporate governance in the Asian business context, while arm's length rules are followed in the western corporate governance context (Carney and Gedajlovic, 2001).

Most of the corporate governance studies have been conducted in the Western business context (La Porta et al., 1999) and trivial research efforts have been made to examine corporate governance in Asia. Moreover, Asian family firms operate in business environments where legal institutions are either weak or non-functional, and informal institutions dictate governance mechanisms. It is also argued that developing/emerging Asian economies have weak corporate governance (La Porta et al., 2000). This underlines the need to know whether the Western theories can appropriately explain corporate governance in an Asian context, especially in relation to Asian family firms which operate in very unique business environs. This business environment is unique due to the presence of informal institutions such as business groups and networks. Hence, this study attempts to examine the soundness of Western corporate governance theories in the business environment of Pakistan. To do so, this study outlines and accentuates the role of institutional voids in creating business groups and networks present in the Pakistan's business environment, and their possible role in illuminating corporate governance mechanisms vis-à-vis family firms of Pakistan.

This paper is organized as follows. The next section provides the background about institutional voids, business groups and networks in Asia as well as in Pakistan. In following section, a discussion outlines how the chosen theoretical foundations are in line with the logics used by family firms when it comes to corporate governance practices in Pakistan. This discussion underpins the conceptual foundation of our paper, followed by a conclusion.

2. Background

Being a former British colony, Pakistan inherited a fairly well-developed corporate governance system. This corporate system is consistent with the Anglo-American corporate scheme of arm's length, market and rule-based model (Allen, 2000). Despite its imperfections and being in sharp contrast to "know-who model" applicable in the Asian corporate settings, this model sets the standards for an effective corporate governance mechanism (Hua et. al., 2010). It must be remembered that corporate governance is contingent upon the presence of formal and informal (e.g., social norms) institutions (Tam, 2002). This viewpoint becomes more pertinent for those economies which are generally characterized by institutional voids (Khanna and Palepu, 2004).

In the Asian business context, the business landscape is dominated by small, large and publically traded business firms which are either owned/controlled by business families or are a part of business groups (Peng and Jinag, 2010). Due to the paucity of strong formal institutions, most of the Asian economies rely heavily on informal institutions for governing corporate and business issues (Peng, 2002). This feature also dominates the business environment of Pakistan, where informal institutions are embedded in the socio-cultural features of family firms, thereby effecting corporate governance mechanism (Ghani and Ashraf, 2004).

2.1. Understanding Institutional Void

Institutions are described as cognitive, normative and regulative structures which provide stability and significance to social behavior (Scott, 1995). Moreover, institutions are country-specific and are categorized as formal and informal institutions (North, 1990). Formal institutions refer to written laws, policies, rules and regulations that govern socio-economic and political aspects of a society, whereas informal institutions refer to the social factors shared by the members of a society that serve as constraints and/or standards, and the violations of which entails social rather than legal penalties (North, 1990; Roxas et al. 2008).

Formal institutions are effective in those economies where a) government assures exchange actors that exchange environment will be relatively free from corruption and the rule of law will be followed, and b) contract implementation is rationally foreseeable (Khanna and Palepu, 1997). Whilst informal institutions become pertinent in those economies where exchange actors anticipate that contract implementation is fragile due to deficient legal framework (Khanna and Palepu, 2000). Under conditions where formal institutions become inefficient due to legal or market imperfections, informal institutions become important in reducing uncertainty and enhancing reliability between social and business actors (Khanna and Palepu, 1997; Peng, 2002).

The development of institutional void is multifaceted in the Asian business environment. It is due to the reasons that on the one hand, formal institutions fail to provide a credible legal framework, and on the other hand, there is an absence of stable political setup, affecting governments functioning and markets operations (Peng, 2002). This two way feedback linkage creates and sustains reliance on informal institutions and personal ties in Asian economies and markets (Hitt et al., 2002; Peng, 2002). Trust is the central element of informal institutions because it is through trustworthy ties and connections that informal institutions are able to provide incentives and enforced constraints on economic actors (Roxas et al. 2008). Asian informal institutions are also embedded in trust based strong interpersonal ties and connections because these ties provide the necessary credibility required for smooth functioning (Chen, 2001).

In Asia, the basic corporate governance elements such shareholders, board of directors and professional managers apparently seem similar to Western (e.g. USA and EU) corporate equivalents (Peng, 2000). In reality, these visible Asian corporate elements are present more as structure than as ingredient. This dichotomy can be attributed to the institutional environment because regulatory legal framework governing Asian markets and institutions fail short of providing support to business transactions (Peng, 2002). In such a business environment, there will be an increase in transaction costs, uncertainty and slow information flow. To overcome such exchange hazards, business transactions are internalized with business partners (Williamson, 1990). In Asian family firms, there is no separation between ownership and control and the management is provided by the owning family (Chen, 2002). The role of relational ties, kinship connections, and government contacts is greater in Asian family firms than in the West; therefore, these features play an extra and resilient role in the formulation of corporate governance (Peng, 2000). Under this premise, it is possible that the Western formal corporate governance practices may appear similar but quite different when it comes to practice in Asian business environments.

Pakistan is a collectivist society where trust is person specific (Hofstede, 2004). Further, the social context of Pakistan is embedded in the norms of mutuality and reciprocity between actors which belong to the same family, clan, and/or having a commonality such as educational background (Islam, 2004). This cultural logic underlines the foundation of Pakistan's informal institutions which place a premium on nurturing strong interpersonal ties/relationships. Under this cultural principle, the average Pakistani family firms have a strong preference to work with family members and close friends (Khilji, 2003, 2004). Therefore, like their Asian business counter partners, corporate governance in the Pakistani family firms are embedded in personal ties and kinship relationships, which is also consistent with the institutional void argument (Peng, 2000). Therefore, business groups and networks are the two important informal institutions that Asian family firms develop and rely on as afterward, these institutions become instrumental in the survival and success of businesses (Park and Luo, 2001). On the one hand, these informal institutions help family firms in minimizing exchange hazards' possibilities, and on the other hand, they facilitate their business transactions. To understand their role in corporate governance, it is important to explicate briefly family firms, business groups/networks in the Asian as well as in the Pakistani context, as discussed next.

2.2. Understanding Family firms

Family firms have been defined on the basis of different family characteristics (Castro & Casasola, 2011), levels of family involvement (Astrachan and Shanker, 2003) and others family firms dimensions. Chua et al. (1999) defines a business to be a family business which pursues a certain business vision held by a dominant alliance controlled by family members or a small number of families in a manner that it is sustainable over a period through family generations.

Family firm is a leading form of business in the world (Peng and Jiang, 2011) including US where eighty five percent of all businesses are family owned (Yu, 2001). Family firms have a prominent place in Asia. For instance, it is reported that family firms account 99.9 present of all firm in the private sector in India (Iyer, 1999). Similarly, family firms dominate the Pakistani business environment (Ghani and Ashraf, 2002).

Overall, Asian family firms are distinctive from other family firms in the world as they follow a strong Asian value system under which firms rely heavily on strong personal relationships, embedded in the elements of trust and loyalty (Reddy, 2009). At large, Asian businesses are established and headed by male members of the family who are the major decision-makers. That is why typical Asian hierarchical and patriarchal values also become an integral part of Asian family firms where the father or eldest male member of the family endeavors on behalf of the family, and he enjoys unquestionable authority (Song et al., 2005). For instance, in Korean organizations, the president is the father and the older brother/s is in upper level management and the younger brother/s or son/s is in lower management (Song et al., 2005). Likewise, a powerful father figure, paternalism and extensive use of networks are the characteristics of a typical Chinese family firm (Yu, 2001). Similar features are exhibited by business organizations in Pakistan, which are characterized by a paternal head, large power distance between the top and lower levels of management, and the decision-making authority located at the top (Khilji, 2004).

Corresponding to the above mentioned Asian business context, social networks and business groups are the two most dominant informal institutions that Asian family firms develop and rely on (Peng & Jiang, 2011; Sikorski & Menkhoff, 2000). These informal institutions are based on trust, loyalty, respect for hierarchical relationships and strong interpersonal relations with the group and family (e.g., Park and Luo, 2001). In the light of this evidence, one can posit that these informal institutions have a substantial effect on corporate governance mechanisms in Pakistan. This requires explication of the underlining dynamics of business groups and networks, as follows.

2.2.1. Business Groups and Networks

The business group is also interpreted as an inter-firm organization that is formed in response to market imperfection (Leff, 1978). Khanna and Rivkin (2000) outline business group as a business entity which is legally independent but is bounded together with other business firms by a number of formal and informal ties. Primarily, the paucity of formal institutions is considered responsible for the emergence of business groups (Heugens and Zyglidopoulos, 2008), and likewise we argue that existence of business groups sustains the paucity of formal institutions. The literature (e.g., Encarnation, 1989) further elaborates that business groups are affiliated together through strong social ties based on family, caste, religion, language and ethnicity.

Japanese keiretsu, Korean cheabol and, Chinese and Indian sub-continent family businesses are the best examples of Asian business groups. The inner core Asian business group is built on conducive and close relationships. For example, the organizational structures of Japanese business groups, keiretsu, are pyramidal and tightly controlled by the lead firm and the lead bank (Kienzle and Shadur, 1997). In order to keep and maintain bilateral trading within business groups, Japanese business groups place a high value on preferential relationships. Dore (1983) showed that the groups provide protection from market failure and keep a check on bargaining superiority of high keiretsu members. Furthermore, these informal networks are present in institutional form at many levels of Japanese society and ensure group stability and individual commitment to the group.

The Korean cheabol is owned and controlled by a family and its members with low levels of formal coordination (Yu, 2001). They are vertically integrated and control diverse activities through a common hierarchical setup (Kienzle and Shadur, 1997). Likewise, Chinese business groups or networks are based on familial and ethnic ties and characterized by simple organizational structures with centralized decision-making by the owner-cum-manager (Kienzle and Shadur, 1997). Chinese family business networks do not rely on formal contracts, and personal trust is used for financial and other network transactions.

In South Asia, business groups are community based. In the Indian subcontinent (e.g. India and Pakistan), the business community is considered socially complete because the merchant communities are divided along social, religion, ethnicity and regional lines which has interesting effects on the nature of inter-firm transactions. For instance, the prominent business communities of Gujratis, Khojas, Chinotis, Sethis and Parsis of the Indian Sub-continent make use of ready-made networks of credit and capital based on religious and caste origin (Iyer, 1999). After the partition of Indian Subcontinent in 1947, some of the business families in India migrated to the newly established state of Pakistan. This is one of the main reasons why Indian and Pakistan business communities have so many similarities and therefore, like Indian family firms, Pakistani family firms have develop and established business groups.

2.2.2. Networks

The notion of social networks underlines that economic actors are influenced by the social context in which they are embedded, and their position in the social network (Gulati, 1998). Like the emergence of business groups, a general absence of security and lack of trust are outlined as the main rationale behind the emergence of networks (Yu, 2001). Networks are highly trusted by common people because they are based on a set of codified rules that emphasize the notion of community, reciprocity, hierarchy, loyalty and a deep sense of collectiveness in the interdependent relationships (Hitt el al. 2002).

The Asian networks are built on a cultural platform and explicate which type of behavior is appropriate for a specific setting (Alston, 1989). Given that they have an all-encompassing nature in the Asian context, they cover every facet and fiber of a society including business relationships (Park and Luo, 2001). Kienzle and Shadur (1997) reported that the main foundations of Asian business networks are based on connections through family, race, religion and profession. It gives firms social capital gained from a range of competitive advantages in the form of vital information about local markets, business partners, and other prominent members of local areas (Sikorski and Menkhoff, 2000). In a nutshell, social networks are made up of a web of interpersonal connections that govern personal behavior and social personal relationships.

The philosophy of Asian networks follows the in-group approach, a unique cultural feature under which Asians have a deep sense of in-group affiliation (Leung, 1987). For Asians, the personal choice to join a group or not join is not voluntary because they are born in network societies where hierarchy governs and familial rules are strictly followed in order to ensure the development of the network's positions for life (Purchase and Ward, 2003). In-groups are usually typified by similarities between group members and there is a strong sense of common fate within the group members, whereas out-groups are those groups, which are devoid of likeness in any field of daily life and there is a strong sense of common rivalry, enmity, challenge and competition (Chen and Li, 2005). That is why trust at the individual and the collective level is of paramount importance in Asian societies (Lim, 2000). Such group distinction is an essential feature of Asian societies and seems to affect each and every norm of interaction. Therefore, Asian networks are also based on the governing assumption of reciprocity, because they are vital in promoting harmony and integrity within the group which is essential for organizing and protecting business interests in Asia.

Based on this approach, a large number of networks are functioning in Asian societies. The underlining role of these networks is to facilitate and promote a favorable environment for business transactions. Moreover, these concepts define hierarchy, loyalty to group and filial attitudes toward subordinates in both the business as well as in the social context of Asian societies (Alston, 1989). For instance, *wa* and *inhwa* are social networks that are present respectively in Japan and Korea (Alston, 1989). Similar concepts like *amae*, *inmal*, and *kankei* emphasize the role of interpersonal relationships, hierarchy and protection of harmony in the management of business relationships. In South East Asia, *budi* and *pakikisama* are the dominating social networks in Malaysia and the Philippines. Both these networks emphasize the notion of community, which fosters cooperation and a sense of collectiveness (Storz, 1999*).* Similarly, *guanxi* is a Chinese network that is omnipresent in all business dealing in China (Luo, 2002).

In the Indian-Pakistani business context, *j*an *pehchan and apane aur paraye* (Zhu et al., 2006; Kumar and Sankaran, 2007) are the two commonly used networks that augment and facilitate business transactions. *Wasta* is an Arabic relational term that involves a social network of interpersonal connections rooted in ties to family and kinship (Hutchings and Weir, 2006). Like the Chinese, guanxi, *wasta* is a central characteristic in the social and business operations in all the Middle Eastern countries (Hutchings and Weir, 2006). *Sifarish* refers to family and kinship connections, which are used to get things done in Pakistan (Islam, 2004). In some ways, it resembles the Chinese system of *guanxi*.

In general, Asian family firms are customary and risk averse in nature (Gomez-Mejia et al., 2007). In order to avoid and overcome any business uncertainties when established law fails to support transactions in reliable manner, Asian family firms rely profoundly on informal structures (i.e. business groups and networks) that are built on the core components of trust and loyalty with family, close friends and governmental official. Moreover, Asian family firms have some distinct intangible characteristics such as familial or familiness, paternalism, ownership of family assets, and extensive business networks (Huybrechts et al., 2011; Yu, 2001). These features are instrumental in the creation of social capital (Hitt et al., 2002) and socio-emotional wealth (Ducassy and Prevot, 2011) for Asian family firms. Social capital is refer to as relations or a network of relations among individual or organizations those facilities actions and thereby creates value (Hitt et al., 2002), while socio-economic wealth is refer to the non-financial aspects of family firms that incorporates emotional traits like identity, benevolence, the ability to use family influence and the desire for permanence (Ducassy and Prevot, 2011).

Social capital and socio-economic wealth are the core operational elements of Asian business groups and networks (i.e. informal institutions) to fortify family firms in their social construct and also provide them with competitive advantages. In other words, they become the intangible assets for family firms which are unique, rare, valuable and hard to substitute (Barney, 1991). Our study takes this dimension of informal institutions to discuss the relevance and application of theoretical approaches in understanding corporate governance in the Pakistani context. This view will help in developing a better understanding about corporate governance mechanisms in economies where institutional voids are dominant.

3. Governance in Pakistan's Corporate Sector: Theory vs. Practice

Examining corporate governance in Pakistan under different theoretical perspectives is eloquent in three ways. First, different theoretical perspective are likely to give a better understanding about corporate governance research in Pakistan particularly when one considers the dominating role of family firms. Second, the analysis demonstrates that understanding corporate governance in Pakistan entails integrating different theoretical perspectives with the real institutional environment of Pakistan. The discussion above indicates that different forces affect corporate governance and hence, will improve our bearing about corporate governance. And lastly, the deliberation indicates that to develop a better understanding of corporate governance under different theoretical perspectives, comparative studies of family firms located in the Western and Asian economies are needed. We initiate our following discussion by outlining the essential idea of the chosen theoretical perspectives, and then discussing it in relation to corporate governance of family firms in Pakistan.

As preceding discussion outlines that Pakistani family firms are also vulnerable from the institutional environment in which they are embedded. Therefore, it is important to discuss corporate governance in the context of institutional economics (Williamson, 1985). Under this approach, corporate governance has both economic and sociological dimensions. The economic dimension focuses on economic efficiency, while the sociological dimension focuses on social legitimacy (Peng, 2002). In the presence of dysfunctional formal institutions and dominating socio-cultural embedded business groups and networks, family firms will have a high level of confidence on those corporate governance arrangements which on the one hand, augment the already existing family firm's social capital, and on the other hand, help in reducing uncertainty and provide reliability. Both these corporate dimensions are paramount for family firms as they provide the much needed economic and social legitimacy. Therefore, Pakistani family firms would not merely be concerned about economic efficiency but they will also be occupied with fulfilling the social legitimacy under corporate governance regimes.

Taking the institutional framework further, transactional cost analysis, built on market failure argument, deals with *ex post* problems that are generated due to the presence of specific assets, uncertainty and opportunism (Williamson, 2000). Under the transaction cost perspective, social capital created within the embedded context of business groups or networks is a specific asset. That is, family firms' social relations create social capital which is used as a valuable resource in producing commercial benefits. This asset has a high sunk cost and becomes a mandatory element for any family firm to utilize inter-firm resources for sustaining commercial advantages. So family firms confront a very complex situation where in addition to managing traditional corporate governance elements, they have to meet a balance with non-traditional corporate elements which are embedded in market networks, hierarchical networks and social relations and their particularity in any business transaction. Under this notion, family firms' corporate governance is implemented in such a manner that firm's relationships with mainstream stakeholders and the mutual strategic social capital remains intact. Therefore, family firms apply corporate governance tools in conjunction with social capital to mitigate exchange hazards such as uncertainty and opportunism, and promote transparency and information symmetry.

Another view to comprehend corporate governance under transaction cost perspective is to understand that transaction costs occur due to the presence of uncertainty and opportunistic behavior present in business transactions. Hence, in an exchange environment, transaction costs emerge due to the absence of trust between business partners. Based on this logic, one can say that majority shareholders have higher levels of trust between themselves than between majority shareholders and minority shareholders. This means that the success of traditional corporate governance elements in Pakistan is dependent on high levels of trust, a stringent prerequisite to fulfill between majority shareholders and minority shareholders in a low trust society like Pakistan (Fukuyama, 1995). Similar anxieties underline between these two corporate actors when it come to the formulation of board of directors, professional managers and appointment of CEOs. Hence, the dimension of corporate governance is bound to be different.

The *resource based view* (Barney, 1991; Matta et al., 1995) proposes that a firm’s performance is founded on certain kind of resources which are hard to imitate and thereby providing sustainable competitive advantage. Resource based view literature (e.g., Huybrechts et al., 2011) identifies business groups and networks as the two intangible resources that gives family firms competitive advantage. Moreover, business groups and networks provide the necessary mechanism to carryout corporate governance under the notion of structural embeddedness (Yu, 2001), highlighting that when formal institutions fail, replacing institutions provide rules of business. In the context of family firms, corporate governance has to examine in the interaction context of familiness (Huybrechts et al., 2011), under which the family, the business, and a number of unique resources intermingle. In addition, social capital and family capital are also intangible resources of family firms. It is not surprising that family capital is composed of indispensable family characteristics such as obligations and expectations, reputation and moral infrastructure (Huybrechts et al., 2011). In the presence of social and family capitals, achieving corporate governance means integrating different family firm elements such as family reputation, organization decision setup, etc. with the commercial interests of all stakeholders in a setting that do not follow concrete rules and regulations.

The *agency theory* is primarily about the moral hazards when ownership is separated from control and the focus is on the incentives for shareholders. Moreover, agency theory advocates that when ownership and control are separated, professional managers should be appointed. Under corporate regulations, Pakistani family firms fulfill this requirement and employ professional managers but their role is only to perform as a policy implementing manger rather than a policy making manager. The alteration in the role of professional mangers is due to the presence of dysfunctional legal and regulatory institutions. Moreover, family owners want to avoid agency problems connected to abuse of power, misappropriation, etc. which underlines the reason why they prefer to run their firms directly in the first place. Moreover, ostensible incentives of such a control further exacerbate information asymmetry with minority shareholders in the capital market. As such regulatory framework is expected to minimize such information asymmetry via tools of corporate governance but institutional voids limit these expected outcomes. Consequently, we observe lack of breadth and depth in Pakistani capital market.

4. Conclusion

This paper has tried to re-conceptualization or rather challenge some of the traditional views of corporate governance, which is generally associated with measuring firm value, profit distribution, family ownership and control, shareholders, etc. (La Porta et al., 1999). This paper examines the theoretical relevance of business groups/networks in evaluating corporate governance. As discussed earlier, business groups and network structures are not only organizational in nature but essential for the formation of social capital that helps them in generating and sustaining positive socio-economic results, as well as generating strategic and competitive outcomes for family firms. The discussion underlines that in the presence of institutional voids in Pakistan, the relational embedded ties (Granovetter, 1985) play a vital role in corporate governance. Therefore, the relational corporate governance argument seems appropriate in the context of Pakistani family firms.

The development of corporate governance sector in Pakistan outlines that certain families/groups have been very resourceful and powerful under all regimes, whether civil or military. These families/groups are intertwined in complex networks of commercial and non-commercial interests. On the one end, these networks are used to extend the boundaries of formal business ties to nuptial ties, and on the other hand, these networks are used to move from corporate arena to civil as well as military bureaucratic emblem and political circles. These networks provide huge socio-economic advantages to families/groups in all of the spheres of life but particularly in areas such as economic, social and political. In the presence of institutional voids, the gains from such networks have provided the impetus for the vicious circle of abnormal growth for the members of such family/business groups/networks. Since they are the prime beneficiaries of institutional void, therefore, they underline that the current status quo remains unchanged and help them to sustain the their position. However, in doing so they may achieve myopic gains but may also hinder development and strengthening of market forces resulting in a market that may not provide impetus for a sustainable growth.

Without identifying the identity of the families/groups, a quick review of the board of directors of the listed companies at Karachi Stock Exchange (KSE) and their kin related linkages to the key political players and to the key member of civil and military bureaucracy substantiate deep rooted cronyism, that has been developed and nurtured in Pakistan. Our claim about this uninterrupted cronyism is supported by international agencies such as the CPI of Transparency International[1] and WGI of the World Bank[2] also support our in the presence of sustained institutional void. One example of institutional void was the abrupt termination of Mr. Khalid Mirza, the Chairman of Competition Commission when he tried to impose a regulatory fine on the cement cartel of the country for criminally manipulating the prices in 2010.

At present, this paper has many limitations. The most salient is that it does not incorporates the arguments where informal institutions are considered instrumental in not safeguarding the interests of minority stockholders, supporting cronyism capitalism, etc. Nevertheless, the authors think that this paper does provide another exploratory perspective in investigative corporate governance, especially in relation to the presence of institutional voids and family firms' structures. Therefore, at this stage, the authors consider that the paper is at an immature stage and hence it is unwise to approximately concretely about possible outcomes that business groups/networks may have on corporate governance structures.

[1] http://transparency.org/policy_research/surveys_indices/cpi/2010
[2] http://info.worldbank.org/governance/wgi/index.asp

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