

012. CORPORATE GOVERNANCE'S LEADERSHIP AS A STRATEGY OF SUCCESS IN ECUADORIAN FAMILY BUSINESSES AND THEIR ORGANIZATIONAL BEHAVIOR FOR THE YEAR 2018

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ABSTRACT

Companies' managers can make business decisions and trace the path to get a sustainable development in the long term, being able to be more productive, but It is important to understand that people react in a different way to a situation or problem; to avoid conflicts of interest between shareholders, managers and senior management. Corporate governance in this case has become one of the key factors for the success for a public or private entity, in order to be more competitive and attractive for investors.

Corporate governance's leadership influences on the interest groups' behaviors, management decision making, and the economic and competitive development for the public or private organization, minimizing the risk of fraud by corporations.

Being conscious of the benefits of a good corporate governance code, managed with an efficient leadership style, and establishing a compendium of practices that allows businesses to know the importance of its implementation and the analysis of design

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principles, results necessary to develop a model that can be applied for entrepreneurs' private companies in the country, giving guidelines to strengthen management and overcome business problems. This investigation explains the importance of the application of a Good Corporate Governance's leadership in Ecuadorian family businesses and the effects in their organizational behavior. The research evaluates the main principles, practices, benefits and advantages got by this strategy

For this reason, it is essential that private organizations understand the organizational structure and internal control systems, as well as the strategic business orientations regarding investments, internal policies, financial structure and budget evaluation.

Key words: Leadership, corporate governance, private organizations and interest groups.

RESUMEN

Los directivos de las empresas toman decisiones empresariales y trazan el camino de las entidades que le permiten un desarrollo sustentable a largo plazo, logrando ser estas más productivas, pero es importante comprender que los individuos reaccionan de una manera diferente ante una situación o problemática para evitar el conflicto de intereses entre accionistas, directivos y la alta gerencia. El gobierno corporativo se ha constituido en uno de los factores claves para el éxito de una entidad sea estatal o privada, haciendo a la empresa más competitiva y atractiva para los inversionistas.

El liderazgo por parte del gobierno corporativo influye en el accionar de los grupos de intereses, en el desarrollo económico y competitivo de la organización pública o privada, logrando minimizar el riesgo de fraude por parte de las corporaciones.

Conocer los enfoques de un gobierno corporativo a nivel público y privado, y establecer un compendio de prácticas que permita a los negocios conocer la importancia de la implementación del mismo, junto con el análisis del diseño de los principios y del código del buen gobierno corporativo con liderazgo, resulta necesario para lograr un modelo que sea aplicable a una compañía privada de emprendimiento en el país, que logre dar lineamientos para fortalecer la gestión y superar las problemáticas empresariales.

Esta investigación explica la importancia de la aplicación del liderazgo del Buen Gobierno Corporativo en las empresas familiares ecuatorianas y los efectos en su comportamiento organizacional. La investigación evalúa los principales principios, prácticas, beneficios y ventajas de la aplicación de este tipo estrategia.

Por tal motivo, a nivel privado es imprescindible comprender la estructura organizacional, indicadores y sistemas de control interno, así como las orientaciones estratégicas empresariales en cuanto a inversiones, políticas internas, estructura de financiación y evaluación de presupuestos.

Palabras claves: liderazgo, gobierno corporativo, compañía privada, grupos de intereses.

INTRODUCTION

Corporate governance is important to strengthen the direction management and control of an entity, also helps the organization growth, improves competitiveness and minimizes risks, especially in power abuses. According to CAF (2012), Corporate Governance is a mechanism that is useful for the development of SOEs ⁴ in Latin America, helping direction and control organs to improve the level of transparency.

Shareholders, investors, senior management, executives, employees and the board of directors participate in a company. A balance between these groups is maintained through corporate governance. Since the global crisis of 2008, due to failures in corporate governance in the manipulation of decision-making, including accounting and financial statements, conflicts of interest were developed in large private corporations, showing weaknesses at shareholders' responsibilities, so those frauds developed bankrupt companies. (Bernal, A., Oneto, A., Penfold, M., Schneider, L., & Wilcox, J. 2012).

Subsequently, businessmen and shareholders strengthened Corporate Governance, so that companies can be sustainable in the long term. In 2010, a new code for the performance of corporate governance was published in the United Kingdom, serving as a model in many countries. *“Good Corporate Governance is necessary to achieve excellence in management, facilitating the achievement of the company's objectives and maintain a solid business culture and oriented to the long term.”* (Matute, G., Fabian, L. Pacheco L., Trinidad O. & Ureta, C. 2010)

In state companies, the leadership role in Corporate Governance models is important for their participation in strategic sectors, as they provide basic goods and services for the population, that's why these companies need to be sustainable in the long term, attracting investors and improving communication, so that the State can get its objectives. *“Corporate Governance is an instrument to strengthen the management of different types of SOEs, and is considered a fundamental tool to ensure transparency and solvency in the administration of state assets”.* (Matute, G., Fabian, L. Pacheco L., Trinidad O. & Ureta, C. 2010)

According to CAF (2012), Corporate Governance has been applied positively to emerging economies such as India and China, which have reforms in political and economic models. Brazil through its state-owned companies rather than legal reforms, try to strengthen practices in terms of information disclosure, internal and external audit.

In Chile, the new Corporate Governance Law made that the CEO of the largest stateowned copper company “CODELCO” can get an independent process,

⁴ SOEs: State-Owned enterprise

considering Corporate Governance Code, capitalization of profits and executives' salary adjustment according to the market. In Peru, they were able to develop a solid corporate governance structure model for state companies as well. (Bernal, A., Oneto, A., Penfold, M., Schneider, L., & Wilcox, J. 2012).

Good implemented practices for the success of SOEs in Latin America are guides for private entrepreneurs and are useful to improve for the country because it is possible to align a model of good Corporate Governance practices that allows businesses to know the importance of the implementation, and this includes the analysis of the design of the principles, and codes to strengthen the transparency, coordination and management, in order to be able to overcome the business problems.

For this reason, it is essential for private organizations to understand the organizational structure, indicators and internal control systems, as well as the strategic business orientations regarding investments, internal policies, financial structure and budget evaluation. The leaders of the organizations focus on the development of the company in the long term, so in order to be sustained in the world market, it is necessary to be competitive, maintain an adequate level of development, and this requires trust, commitment and credibility.

Semberoiz as indicated by Matute, Fabián, Pacheco, Trinidad and Ureta (2010) mentions that large corporations were developed during the twentieth century, and as their share capital was evidenced in large quantities, it was difficult the control to achieve the direction of the companies. The State had to intervene in the regulation of corporate affairs. However, Garrido as cited in Matute, et al. (2010) stated that there were abuses by the upper management because they used to divert the company's financial resources.

Corporate Government was born based on the theory of Berle and Means (1932), in which corporations made substantial changes to overcome problems of ownership and control. Semberoiz as cited in Matute, et al. (2010) remarks it as a fundamental way to avoid business inefficiency and get a good control mechanism. With the help of market reforms, privatization processes of some state companies showed that the private sector was important in economic development.

In view of corporate troubles in the United Kingdom in 1992, principles or codes of Good Corporate Governance were developed and published by OECD in 1999 after Cadbury report, getting worldwide acceptance by businessmen (Johnston, D. 2004). Authors such as Lagar and Caipo as cited by Matute, et al. (2010) indicate that these principles were born by the Asian crisis of 1997, and because of the corporate frauds by Enron, Parmalat, Worldcom and others that were involved in unethical business practices in the New York stock exchange, the concept of transparency image was weakened due to the failures of Corporate Governance, especially for the issue of entrepreneurs' leadership.

The best example about the weakness of a Corporate Government with fraudulent intentions was Enron, in which profits were inflated and used Corporate Governance to show that the company reflected excellent conditions, when in fact it was on the verge of bankruptcy. (Moreno, 2016).

The loss of minority shareholders of Enron according to Bleger as cited in Matute, et al. (2010) was around 50 billion dollars without the option to claim, because the share prices were manipulated on the stock market with unethical finance and accounting practices. So, the US government responded with the Sarbanes-Oxley⁵ law. The OECD indicates that Corporate Governance is essential to increase economic efficiency, promoting growth and increasing investor confidence. Corporate governance covers all types of relationships between the management of a company, its board, shareholders and other interested parties. [...] it must offer appropriate incentives to the Board and the governing body, so that reach of objectives can be useful for the interests of the society and shareholders, as well as facilitating effective supervision. (Matute, G., Fabian, L. Pacheco L., Trinidad O. & Ureta, C. 2010)

The principles of Corporate Governance established by the OECD have become guidelines for politicians, businessmen, investors, shareholders and as a reference of worldwide. Based on these principles, good corporate governance practices are generated to avoid the failures of the past. (Johnston, D. 2004).

Regarding Corporate Governance and good practices:

It is a set of practices that are implemented to manage a company properly: the structure, distribution of rights and responsibilities at the upper management, and among different actors of the business, such as: boards of directors, managers, shareholders, community and fair treatment with other economic groups that maintain relationship with the company. (Moreno, 2016, p.13)

OECD promotes GCG⁶ practices such as:

“The rights of shareholders, fair treatment of shareholders, the role of social interest groups in corporate governance; communication, information transparency and the responsibility of the council” (Johnston, D. 2004).

⁵ Sarbanes-Oxley Law: According to CIPE (as cited in Matute, et al, 2010, p. 41) indicates that: "The US government applied the Sarbanes-Oxley Law as a legal tool to strengthen individual and corporate responsibility through strict financial audits, codes of ethics and transaction controls developed by organizations' employees "

⁶ Good Corporate Governance

The practices according to Sangalli as cited in Matute, et al. (2010) seek to establish mechanisms for investors and shareholders, in order to give them the peace of mind that their capital is being used efficiently, protecting themselves from fraudulent acts.

The OECD has set reform priorities for the GCG in the White Paper. Although there are factors that caused companies went bankrupt due to failures in Corporate Governance, a well-structured one creates value, development and achievement of the objectives, but it is necessary to work with an adequate leadership. Molina as cited by Matute, et al. (2010) indicates that one of the aspects to consider is the hierarchy of independent director and specialized committees, and this depends on the size of the company because conflicts can occur between the same majority and minority shareholders. (Organization for Economic Co-operation and Development, 2004)

There is a code of practice based on the principles of Corporate Governance, that guide the entities to achieve the objectives to make appropriate decisions for companies. In countries where the majority of companies are family founders and wish to apply for international loans, they must adapt to the regulations and rules of Corporate Governance of other countries to achieve these objectives.

Knowing the corporate governance approaches at the public and private levels, and establishing a compendium of practices that allows businesses to know the importance of its implementation, the analysis of design principles, and a good corporate governance code worked with an efficient leadership style, results necessary to develop a model that can be applied for entrepreneurs' private companies in the country, giving guidelines to strengthen management and overcome business problems.

For this reason, it is essential that private organizations understand the organizational structure, indicators and internal control systems, as well as the strategic business orientations regarding investments, internal policies, financial structure and budget evaluation.

Leadership and corporate governance are necessary in the world of international business, because if managers take efficient decisions at the time of organizing, planning, leading and controlling different company's processes, employees will be encouraged to increase the production. So, the impact on the organizational behavior will be efficient, developing high quality standards in goods and services. That's way, good practices are the way to generate value and get presence in world markets.

The national and international competition motivates companies even more to evaluate the level of efficiency of the organization, including planning, direction and control of each process. Since the organizational behavior is influenced by the decision making of the entrepreneurs, for this reason it is essential to develop an analysis of the current situation of the administration of each company's department, especially in the management of entrepreneurship projects.

METHODOLOGY

The type of research is descriptive because the application and importance of a Good Corporate Governance for public and private companies is detailed, being these administered under a scheme of principles and codes, and also led with corporate responsibility and autonomy, to achieve a change or improvement in the different productive and departmental processes that affect organizational behavior.

A documentary research method was applied because for the development of this investigation, it was necessary to use sources such as: scientific articles, bibliographic guides, books and reports related to the Organization for Economic Cooperation and Development (OECD), leadership, ethics and corporate governance in Latin America.

The research method is a non-experimental design because a cross-sectional study⁷ was useful to collect information through focus groups⁸ organized by a consultant to Ecuadorian family companies, which used corporate governance as a leadership strategy to achieve business success. (Sampieri, R. & Collado, C.1999). It is important to emphasize that they belong to one of the businesses that are wellpositioned in the market, and recognized by high quality standards of goods and services in Ecuador. A stratified sampling was introduced to get information though different sectors, such as: commercial, industrial, and hotels and restaurants.

To develop the focus group, a right moderator was selected in order to have an adequate knowledge of the topic. Then, be mentally prepared and familiar with questioning routes to guide the investigation correctly. It was also necessary to use a purposeful small talk, creating a friendly environment, and observing the participants for seating arrangements. After having considering those points, a smooth and snappy introduction was made, following by smart questions to collect the data. At the end, the confirmation of ideas was summarized, and it was important to ask them if any idea has been missed. (Krueger, R. 1998)

Another way to gather information is graphic and electronic, since it was necessary to complement the analysis with books about leadership and organizational behavior, being these ones in private libraries, and databases belonging to authors who have published relevant information on websites about Corporate Governance, and fundamental contributions for companies to lead different administrative and managerial tasks with efficiency.

⁷ Cross-sectional study: Research that collects data in a single moment (Hernández, Fernández and Baptista Lucio, 2010, p.151).

⁸ Focus groups: Group interviews [...] meetings of small or medium groups (three to 10 people) [...] around one or several topics in a relaxed and informal environment, under the guidance of a dynamic specialist group (Hayes, Thomas J. & Tatham, Carol B. 1989).

CORPORATE GOVERNANCE APPROACHES IN PUBLIC AND PRIVATE COMPANIES

State-owned enterprises (SOEs) have the main objective of serving the citizenship of a State, but the best principles and practices of a Good Corporate Governance must be added to the service, with the purpose to strengthen the four management functions for planning, organizing, leading and controlling organizations, including well-established rules to promote the efficiency of different administrative and managerial processes, and also transparency in management. The decisions of the managers of this type of organizations must be socially responsible with the environment and society, so ethics is essential during the decision-making process by senior management.

The responsibility of the Corporate Government of the States is essential for the economic and financial regulation of different organisms that are part of the productive and social management of a country, in addition to the governmental developed goals for the needs of the reactivation of public policies. It is important to emphasize that the main responsibilities of the board of a Corporate Government for public and private companies are: "Establish the strategic direction and supervision of performance results, ensure environmental, social and stakeholder policies, guarantee the transparency and adequate information disclosure, implement an efficient and reliable accounting and auditing policy, protect the interests of minority shareholders and structure an ethical climate. (Bernal, A., Oneto, A., Penfold, M., Schneider, L., & Wilcox, J. 2012).

One of the benefits of a good Corporate Governance is that despite the changes that may occur in the directory of state institutions, either by new incoming Government or decisions of high ranks, you can achieve a continuity of leadership of the organization through well-established procedures according to the power of an effective succession planning (Bernal, A., Oneto, A., Penfold, M., Schneider, L., & Wilcox, J. 2012).

In addition, the conflict of interest between state agencies is minimized by clear processes, for this reason it is fundamental to ensure transparency in public institutions through effective controls that can prevent fraud and corruption among subordinates and senior management.

When principles of Corporate Governance are applying correctly, not only benefits citizens through the development of telecommunications, roads, housing, educational institution and other social benefits, also promotes the progress of markets in the nations, causing a positive effect in the labor market and foreign investments, since inefficient macroeconomic policies or an inadequate regulation system directly affects employment and country risk.

Private companies also benefit from good business practices when physical and human resources are managed in a correct way in the organizational structure (Stoner, J., Freeman R. & Gilbert, D. 1996). So, it is important to respect the rights of employees and properly distribute different functions to improve business productivity, through

high-ranking decisions such as shareholders or senior management officials. Successful decisions tend to encourage an increase in the market share due to the good image developed by the company, encouraging to attract a greater amount of direct foreign investment and to develop the capital market. The lack of transparency in the organization can directly affect the employment of workers, suppliers and even investors.

The organizational strategies developed by companies must be agreed among the main management members of the organization, taking the demands and needs of different interest groups into consideration, thinking not only about company's profits, also in society's satisfaction (Stoner, J., Freeman R. & Gilbert, D. 1996). For this reason, to increase the profitability of the business, it must be strategically planned for the interest of all agents that are part of the exchange of goods and services, rather than the personal wishes of entrepreneurs.

There are large organizations whose Corporate Governance failed and caused a big corporate fraud. This is the case of the Enron company, that according to the research developed by Deloitte & Touch (sf) "Debts were hid and higher profits than the real ones were registered to get a greater cash flow and keep investor confidence", so at the time of showing incorrect figures in the Financial Statements motivated the investors to buy shares of the company, and participate in bonds transaction in the stock market. This company shows the lack of control in relation to the "evaluation of main accounting criteria by independent third parties, review, reconciliation, documentation of liabilities and insufficient internal audit" (Matute, G., Fabián, L., Pacheco, L., Trinidad, O., Ureta, C. 2010)

The OECD established principles of good corporate governance with the guidelines necessary for the peace of mind of entrepreneurs, with the purpose to protect capital and investments.

Principles of Corporate Governance

Ensuring the basis for an effective corporate governance framework
The rights and equitable treatment of shareholders, and key ownership functions
The equitable treatment of shareholders
The role of stakeholders in corporate governance
Disclosure and transparency
The responsibilities of the board

Source: G20/OECD Principles of Corporate Governance (2015)

The OECD left in the White Paper reform priorities for the GCG (OECD, 2004, p. 1617):

Take the voting rights [...] very seriously to facilitate the participation of shareholders in the general assemblies and voting shares

- 1) Treat fairly shareholders during changes in corporate control and in the stock price of the securities results.
- 2) Ensure the integrity of financial reports and improve information transactions with related parties.
- 3) Development of effective directories.
- 4) Improve the quality, effectiveness and predictability of legal and regulatory frameworks.
- 5) Promote a continuous regional cooperation.

Code of practice based on the principles of good corporate governance of the OECD according to Cruz de Deloitte & Touche cited in Matute, Fabián, Pacheco, Trinidad and Ureta, (2010), (2010), p. 53-54 are shown below.

- 1) Review, Governance and Corporate Strategy Management
- 2) Monitoring and supervision of succession plans
- 3) Remuneration review
- 4) Supervision and conflicts of interest's arbitration
- 5) Ensure information system integrity
- 6) Ensure internal control infrastructure
- 7) Implement an audit committee
- 8) Monitor compliance levels
- 9) Ensure an efficient process

The code of practice is useful to improve the model of corporate governance for the application in companies, especially for private ones that belongs to family businesses. Not only public companies have benefited in countries where corporate governance have been introduced, also have developed a path for private organizations, including family businesses and ventures. (Camino-Mogro. S & Bermúdez-Barrezueta N. 2018)

LEADERSHIP AND ORGANIZATIONAL BEHAVIOR

The analysis of organizational behavior that studies the human capital and its effects on companies, must be present in the decisions about the allocation of resources, personnel management, and functional or corporate strategies. Business strategies must be implemented based on the knowledge of employees that formed part of the organization, since their level of productivity influences the accomplishment of organizational goals.

One of the difficulties of entrepreneurs is to keep different commercialized brands with a high degree of productivity and optimal conditions, for that reason it is necessary the quality management and process reengineering, where employees are actively involved in the development and efficient administration of each of the products and services offered by organizations. (Stoner, J., Freeman, R. & Gilbert, D. 1996)

The first is related to the continuous improvement of business procedures because there is an impact on organizational behavior, when subordinates participate in making decisions, regarding effective control to achieve quality satisfaction towards customers. On the other hand, the second one is usually taken into consideration in dynamic markets, where changes by companies are constantly, that's why it is relevant to evaluate how the work would develop if the administrative processes were structured again.

There are companies that in the absence of leadership in terms of design changes, organizational processes do not reach an optimum level of quality, since variables such as communication, coordination and production times are inefficient, for this reason it is essential that companies manage the design changes and the valuation of suppliers correctly, in order to get an effective integration between the departments of the company.

Actually, many managers understand that to get efficiency in quality and productivity, it is necessary to invest in employee training because despite they are the main actors of the expected results, are the ones that will be involved in the constant planning of the organizational changes. In addition, they play a very important role in terms of corporate image because revenues are generated not only by the need to acquire goods, also by the service provided by the company.

In addition, they respond to business effects related to globalization, like entrepreneurs who expand their business in other borders, so it is necessary to learn to manage and interact correctly with groups of employees, belonging to a different culture from the chain of command. Sometimes, the effective application of the administrator's skills is evidenced when he/she has the opportunity to ascend and take over a new administration abroad or work with new internal structures, that's why managers should adapt their leadership style to these organizational changes.

The decision making of the managerial or administrative leaders affects directly the organizational behavior, for this reason it is important to consider principles of effective leadership to improve the productivity and liquidity of the company. Learning continuously is influenced by technological, social or even procedural changes of external institutions, but knowledge is also framed at the time of learning to listen to the ideas of other members of the organization, since subordinates' contributions can also improve business development. Entrepreneurs who adopt this principle discover that "the more they know, the more they realize that as the field of knowledge grows, the same happens with their external sphere of ignorance" (Covey, S. 2003).

The decision making of the managerial or administrative leaders directly affects the organizational behavior, so it is important to consider principles of effective leadership to improve the productivity and liquidity of the company. Learning continuously is related to training or updating, influenced by technological, social or even procedural changes of external institutions, but knowledge is also framed at the time of learning to listen to the other company members' ideas, since Contributions from subordinates

can also contribute to business development. Entrepreneurs who adopt this principle discover that "the more they know, the more they realize that as the field of their knowledge grows, the same happens with their external sphere of ignorance" (Covey, S. 2003).

Accomplish commitments is an important learning that generates value for employees, as it affects the expected results by the company. Performance with responsibility, service and collaboration is related to the vocation of serving others, so the effect is more representative when objectives are achieved as career development. According to Stephen R. Covey (2003), "the face of a person based on principles is cheerful, optimistic, positive and courageous. His spirit is enthusiastic, hopeful and confident". The positive energy transmitted to employees motivates to increase productivity levels and to acquire well timed feedback to improve guidelines and administrative processes. Developing long-term planning, avoiding being reluctant to change when business circumstances need, encourages the approach of new ideas through the management by results, where the importance is to analyze the current situation of the organization, and to establish measurable, realistic and achievable goals with the help of the company's subordinates.

The teamwork, weaknesses complemented by strengths of employees, transmission of positive energy or other style of business motivation affects positively the organizational behavior of employees, since productivity is a function of effective leadership. Salaries and additional benefits are not often the main reasons why subordinates keep in their jobs, because the work environment is a variable that can motivate employees to continue working, avoiding high levels of job rotation. It is important to take into consideration that the technical capacities are not sufficient for the best performance of the company; because they must be combined with the best way to guide the staff to reach organizational goals. (Covey, S. 2003).

LEADERSHIP OF CORPORATE GOVERNANCE IN THE ORGANIZATIONAL BEHAVIOR OF PRIVATE COMPANIES

Organizational behavior is defined as the "Study that investigates individuals, groups and structure effects about the behavior inside organizations" (Robbins, S. & Judge, T. 2013), with the purpose of improving the efficiency in companies' decision making.

So, a good leadership of Corporate Governance is necessary to improve productivity and motivate subordinates to achieve business goals with ethics and corporate social responsibility.

The executive officers are responsible for optimizing the greatest amount of resources and at the same time increasing the market share of the organization, but their ethical behavior is essential to create value in the company, since sometimes there are situations where morale is not considered when leading groups and business teams.

It's then, when the company loses credibility, prestige, customers and may be immersed in legal problems.

The leaders' behavior influence different interest groups of the organization, since their decisions or actions can affect consumers, shareholders, community, employees, suppliers and even society in general, like the case of companies that evade taxes, affecting social investments given by governments; but besides harming rights or economic benefits, affects the organizational behavior of responsible members, impacting on the success or failure of the firm, corporation, institution or other type of business society. (Robbins, S. & Judge, T. 2013)

The expected results in companies are achieved with the help of confidence developed by authorities, for this reason it is essential that the leader reflects transparency, honesty, responsibility, respect and morality in his/her principles. When the boss becomes a role model, employees tend to be more productive, innovative, creative, accomplishing with optimism and commitment organizational objectives.

"Studies about the effectiveness of leadership have shown that leader's confidence is positively associated with performance, pro-social behavior, satisfaction, commitment and credibility in the information provided by the leader" (Páez, I. s.f). For this reason, it is essential that both middle and upper management transmit and practice the values, regulations and codes of conduct developed by companies; since the interest groups tend to value their accomplishment, being reflected on moral behavior and in the effort to fulfill the functions or obligations effectively and efficiently.

Ecuadorian family businesses belong to 86% according to Camino and Bermúdez (2018), which 33% are small, 49% microenterprise, 13% medium, 4% big companies. The use of corporate governance as a leadership strategy to achieve business success is a challenge because family businesses have been reluctant, due to the lack of knowledge of concept, being Ecuador an optimal scenario to expand good corporate governance practices. (Quito Stock Exchange and Inter-American Development Bank, 2011)

RESULTS

Non-experimental design is complemented by a questionnaire of a focus group developed by FAMBUSINESS S.A, an Ecuadorian family business consulting. The research was focused on 10 of these types of companies that work with corporate governance as a success strategy, 40% belong to commercial sector, 20% hotels and restaurants, 20% industrial and 20% others. Data analysis was useful to develop a model proposal that can be applied by entrepreneurial business families. The principal results are:

Non-experimental design

Explored aspects	Results
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Corporate Governance's evidence	Good governance practice
Hierarchy of corporate governance in private companies	Above the president and below the general meeting of shareholders
Most frequent indicators requested by the corporate governance directory	Reports and management indicators: Costs, expenses, percentage distribution of capital, number of shareholders, sales, rotation job, amount of liabilities and changes in accounts receivable.
Main principle of corporate governance	Transparency of information because Corporate Social Responsibility is necessary to keep a good image in the market.
Good corporate governance practices	Monitoring succession plans in family businesses, supervision in resolving conflict in the workplace, integrity in administrative processes and control implementation review
Benefits of leadership in corporate governance	Helps to develop democratic and participative leadership, support as part of a family succession process and decision making as an added value, leaving aside the emotional part
Recommendations for the model	Include ethical and moral values inside governing bodies' regulations, with the purpose to discipline and put the company in order.
Advantages of the leadership of a corporate government in a private family company	Investors' peacefulness, control and monitoring, prolong the life cycle, growth and expansion strategy, discipline during the development of different administrative processes, and motivation for employees to reach company's goals.
Relationship between stakeholders	It is very important to have a good relationship, especially with suppliers and clients, because consumers are the ones who can recommend the service or product to others. That's why high-quality standards during the administrative and productive process is necessary to increase the market share of the firm. The payment must be
	punctual to get discounts and more credit in the long run.

<p>Main organizational activities and business decisions developed to get effective results through Good Corporate Governance.</p>	<p>New control system for the top management, in order to evaluate different processes managed by the middle and low levels in the company. Evaluate financial and organizational risks through different free cash flow scenarios, and detecting flaws in internal or system process, security and operation continuity, informatics systems and installed capacity. Also, it is important to analyze the negative influence of the organizational culture on productivity and job rotation`s causes, since it can be decreased because of the lack of training and inefficient leadership style.</p>
<p>Principal variables to be efficient at the top of management in the organization.</p>	<p>Hire the best employees depending on the experience and the final results of company`s evaluation. The salary must be according the hierarchy to avoid job rotation in the high levels of the firm. Besides that, the efficiency on the way of organizing, planning, controlling and leading the personnel is essential to improve productivity in processes and workers. Non-financial incentives are also useful to keep productivity inside the organization.</p>

Source: Focus Groups results to Ecuadorian Family Business, Guayaquil (2018)

CONCLUSION

Corporate governance board occupies an important place to intervene in decision making, helping businesses to be sustainable in the long term, and to get a good agreement between shareholders, managers and senior management. Effective leadership style is necessary to motivate employees to reach company's goals and control efficiently different organizational processes.

Countries such as China and India experienced positive changes to their nation. The legislation on corporate governance in Latin America in Argentina, Brazil, Mexico and Chile, has allowed private and public companies to achieve better standards to increase investment and productivity. Good corporate governance is guided by governance practices, with better control and long-term business direction. Ethical behavior is essential for the corporate governance directory with the responsibility to achieve transparency in the information, in order that the company can reach a better competitive position.

The main principle of the Corporate Governance for Ecuadorian family business is the Transparency of information because Corporate Social Responsibility is necessary to keep a good image in the market. Leading through this strategy helps the company to prolong the life cycle, invest capital in new ideas or expansions, improve the development of different administrative processes, and motivate employees to reach company's goals. It is very important to have a good relationship, especially with suppliers and clients to increase the profitability of the business, having the opportunity to get more credit and especial discounts.

Main organizational activities and business decisions developed to get effective results through Good Corporate Governance are: New control system for the top management, evaluation of financial and organizational risks because flaws at internal or system process, security and operation continuity, informatics systems and installed capacity can be appeared during the administration of the company. It is also necessary to analyze how company's culture influence on the organizational behavior of employees. That's why, it is important to identify the causes of dissatisfaction of workers and job rotation.

Principal variables to be efficient at the top of management in the organization are: Hire the best employees depending on the experience and the final results of company's evaluation, salary according to the hierarchy to avoid job rotation in the high levels of the firm, and efficiency on the way of organizing, planning, controlling and leading the personnel, to improve productivity in processes and workers.

The proposal model can be applied by Ecuadorian family businesses. The incorporation of corporate governance is useful to increase profitability and productivity of the company. It also helps to manage in a better way cases of succession power, processes and control implementation, taking the best investment decisions to prolong of existence of entities.

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