Family business in Spain

By Kristin Cappuyns

It has been difficult to arrive at global numbers about the presence of family businesses in the Spanish economy, but among the experts who have been active in this field, there is a general acceptance of the fact that 65%-70% of the total businesses in Spain are considered to be family-owned. The contribution by these businesses to the Spanish GNP is around 65%, with family businesses employing about 80% of the private workforce.

These numbers illustrate that family businesses have a significant influence on economic development in advanced countries. Hence, the best recognition for these businesses, unique in their fundamental nature due to the mixture of the family dimension with the business one, can be demonstrated by encouragement their creation, collaboration in their growth and support of their continuity.

The importance of this support to family businesses might be deduced from the results of a recent study that compared the demographics of the 1000 largest Spanish businesses by an increase in numbers, as well as in size and age in the years 1972, 1982 and 1992.

The family businesses in the sample have a shrinking volume of sales and workforce compared to NFBs. Family businesses have preserved their average age; the decline in the group of 25 to 75 year old businesses has been strongly compensated by an increase in family businesses that are less than 25 years old, many of which have gained a spot in the top 1000.

The rotation in top management positions is significantly lower in family businesses than in NFBs. Meanwhile, in NFBs the power is held by the same person for an average of 10 years; in family businesses, the average is 25 years.

This study, and several others, has proved that aversion to growth, as well as other problems provoked by the intrinsic characteristics of being a family business such as family conflicts about power, control and property, is the main factor in the high mortality rate of family businesses.

The success factor
Despite the data about high mortality figures in family businesses, the study revealed a separate group of family businesses that was able to grow and innovate the family business. These businesses shared two common characteristics: they have belonged to the top 1000 Spanish businesses for more than 30 years and they have kept their family business character.

Typically, these companies have gained prestige in the national economy because they are in the top 1000 and have remained there for over 30 years. For this reason, these 64 family businesses have been categorised as Successful Family Businesses (SFBs).

Trying to better understand these SFBs, researchers interviewed founder-managers or family members very closely.

Certain family values can become the driving force behind a family business’s success and in Spain it has been proved that they are essential to the survival of a business.
related to them, and invited them to share their personal experiences and opinions about what they considered to be elements of excellence that have kept family businesses healthy and prosperous and in competition within the top 1000 Spanish companies.

To be a successful family business, these people agreed that it is imperative to find a good balance between two characteristics. On the one hand, it is necessary to stick to the generally accepted basic principles for leading companies or to anticipate the market's demands. "Artifacts" are the visible objects that form the core of the business culture. The first part of this conclusion simply confirms common knowledge, rather than adding any new elements. However, details of the content of the family culture that seemed to be a mixture of different elements follows.

Family business culture

As E. Schein described in Organisation, Culture and Leadership, business culture is made up of three elements: "beliefs, visible artifacts and values." In successful family businesses, all three of these elements have been found to be important to a certain degree.

"Beliefs" are present in any company where a certain behaviour is repeated. This behaviour, after giving satisfactory results on some occasions, will be repeated in similar situations thus forming the conviction that it is the appropriate thing to do in that situation. In family businesses, this is especially true in the first generation, where founders are confronted with some unexpected obstacles, and where their entrepreneurial insight/spirit helped them to overcome crisis situations or to anticipate the market's demands.

"Artifacts" are the visible objects that are considered traditional and make up part of the business. Examples are found in the founder's office furniture, insignia, brand names, audible expressions or phrases that get repeated around the office. Some of these artifacts are kept in the business out of respect for earlier times or out of nostalgia.

There is a close emotional link to these artifacts that is intensively lived through experiences that are especially strong during the first and second generations. For example, playing in front of the factory at weekends, helping in the factory during summer holidays, visiting the founder in his office, family pictures in the boardroom and the like.

"Values" that are mostly held by the founder and, with the passage of time, have been kept alive and passed from generation to generation.

ELISA values

The research indicated that, in all of the 64 SFBs, the founder or a person very close to the founder (e.g., the spouse) laid the bedrock for corporate culture by promoting and exemplifying certain values. Five values stood out in nearly all of them: excellence, labour ethic (dedication), initiative, simplicity of lifestyle and austerity, referred to as the ELISA values:

- Excellence: all the SFBs showed a constant striving for excellence in their products, services, brand name, organisation, etc. These companies were also willing to learn to maintain their level of excellence, even when it meant learning from other companies, or from non-family managers and outside advisors.
- Labour ethic: all those interviewed agreed that in order to achieve success it was necessary to work hard, and with absolute dedication. That is one of the strengths of family businesses' commitment.
- Initiative: as has already been said, the company that wants to be successful must be willing to change, and this implies assuming certain financial risks. Repeating debt is a greater risk, limiting the rate of growth and jeopardising survival

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The power of these values lays a bedrock for corporate culture, inspiring top performance, reducing the cost of capital and improving strategic planning. In return, other related issues can be dealt with easily thanks to the adherence to these values.

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