

Family business in Spain

By Kristin Cappuyns

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

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 1,000

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largest Spanish businesses by an increase in numbers, as well as in size and age in the years 1972, 1982 and 1992.

The fact that family businesses are losing positions compared to non-family businesses (NFBs) has been demonstrated at different levels in this study:

- The number of family businesses belonging to the top 1,000 Spanish businesses dropped from 40% in 1972 to 23% in 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 1,000.

- 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 1,000 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 1,000 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 founders or family members very closely

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 1,000 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

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but, at the same time, their behaviour should be guided by family values 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 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 (eg, 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. This is a controversial point, since family businesses have always been reluctant about getting into debt. But rejecting debt is a greater risk, limiting the appropriate rate of growth and even jeopardising their very survival;

Simplicity: simplicity must exist in the private lives of the members of the family who own the business. They do not behave in an ostentatious way nor do they

boast of owning a successful business, although this does not mean that they do not feel proud of it.

Austerity: SFBs are more prudent when taking on expenditure. Their decision-making process in terms of investments is much slower. They carry out detailed studies of the project, since the money used in defraying such expenditure is that of the family.

Power of values

All these values were present in SFB owners. But how did these values come into their businesses? In nearly all the cases, these values were attributed to the founder of the company. The founder led by example and was able to transmit the ELISA values with certainty to the next generation of family members, as well as non-family members who were active in the business. Hence, the exemplary

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behaviour of the charismatic leader left a seal on the business for the future.

These cases confirmed once more the statements of Aronoff and Ward, where making reference to the strength of shared values: "Values tend to endure over time. When they are shared among owners, decision-makers and employees in a business, they have a greater power in shaping the business's performance and results."

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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