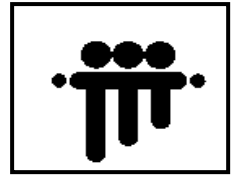




University of Navarra



FAMILY BUSINESSES AMONG THE TOP 1,000  
SPANISH COMPANIES

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## **FAMILY BUSINESSES AMONG THE TOP 1,000 SPANISH COMPANIES**

### **Abstract:**

We are currently witnessing a resurgence of interest in Family Businesses (FBs) as drivers of economic development. This paper reports the results of research carried out to ascertain how well FBs are represented among Spain's largest companies, how the FBs' performance compares with that of the Non-Family Businesses, in which industries they are best represented and in which they are under-represented, how FBs in Spain compare with FBs in other countries, and the reasons for all of the above. It is assumed that this information will be useful not only to FBs, but also to the private and public bodies that deal with them, as well as to national economic and fiscal policymakers.

# FAMILY BUSINESSES AMONG THE TOP 1,000 SPANISH COMPANIES

## 1. Introduction

There is a fairly widespread tendency to associate Family Business (FB) with small and medium-sized companies, among other things because most companies start out as small, family-owned enterprises, and because FBs are more commonly found among medium-sized companies than among listed companies.

Another common tendency is to think that FBs find it extremely difficult to grow and only very exceptionally reach a large size. This difficulty is usually associated with questions of financing, outsider access to share ownership, professionalization of the management team, strategic revitalization, etc.

These two tendencies, coupled with the doubts raised in recent years as to the effectiveness of the rules governing the market economy and free competition and, hence, the desirability of family businesses (which are the type of company most often found in countries that follow these rules), have led to scepticism regarding FBs' ability to attain the size and efficiency that today's global markets demand.

Within the body of FB-related knowledge, it seems desirable to ascertain more precisely how well FBs are represented among any given countries' largest companies, how their performance compares with that of Non-Family Businesses (NFBs), in which industries they are most and least well represented, how the figures differ from one country to another (Welsch, 1991), and the reasons that could account for all of the above.

Undoubtedly, this type of knowledge may help not only FBs themselves but also the public and private bodies that have to do with them, as well as national economic and fiscal policymakers.

The existing literature on the presence of FBs among different countries' leading companies is not very extensive. Among the few studies that have been carried out, the most important are (1):

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- (1) There is no single definition of a FB that would enable the studies to be accurately compared with each other. The following definitions have been used by the authors of the studies:
- Ward considers that a company is a FB when the family holds a controlling percentage of the shares.
  - *Business Week*, *Forbes* and Viedma do not specify what they understand by FB. However, from the context of each publication, it can be considered that they follow a definition similar to that of Ward.
  - Leach considers that a FB is a company that fulfils one or more of the following three criteria:
    - More than 50% of the voting shares are held by a single family.
    - A single family group controls the company.
    - A significant proportion of the managers are members of the same family.

- Ward (1983), working with the 293 North American corporations included in the Strategic Planning Institute's PIMS database, which naturally groups together the very largest companies, found that between 18% and 27% could be considered FBs.
- The magazine *Business Week* (1988), commenting on the resurgence of "business dynasties", stated that 175 (35%) of the 500 largest industrial corporations in the USA were FBs, including such well-known names as Ford Motor, McDonnell Douglas, Anheuser-Busch, Marriot, Grace, Corning Glass Works, Betchel, Levi Strauss, and Hyatt.
- *Forbes* magazine (1989), in an article on changes in transfer tax legislation, claimed that most of the 400 largest unlisted companies in the USA were FBs. The list was headed by Cargill, with a turnover of 43 billion dollars, and included major automobile distributors and companies distributing and selling food products.
- Leach (1990), in a study of the 8,000 largest companies in England, found that 76% were FBs, including companies such as Cadbury-Schweppes, Pilkington, Sainsbury, Heinz and Carnation.
- Viedma (1990), in a study of the policies implemented by excellent Spanish firms, declared that most of them were FBs, quoting names such as Ferrys, Freixenet, ELBE and Previasa.

This paper reports research carried out on a database containing information on the 1,000 largest companies in Spain, and the results obtained regarding the prevalence of FBs.

We will start by discussing some of the general characteristics of the sample. We will then go on to study the role of FBs, making some comparisons with NFBs. Finally, we will analyse the situation of FBs in various areas of business activity.

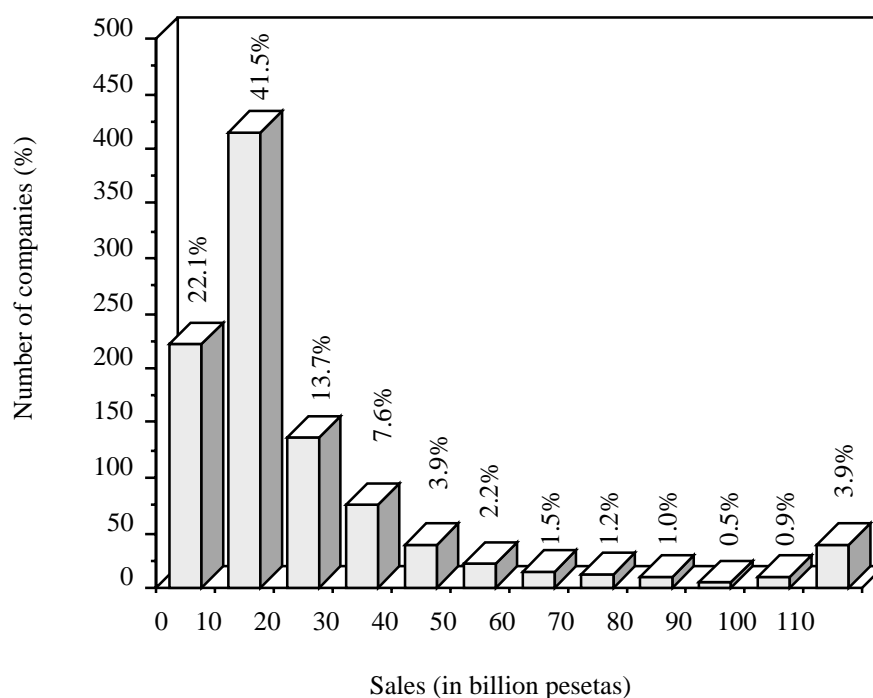
## **2. Characteristics of the sample**

The sample consists of the 1,000 largest Spanish companies, as measured by sales turnover, using information provided by the publication *Fomento de la Producción 1990*, which gives data for 1989. The general features of the sample are as follows:

### *Sales*

The sales turnover of individual companies in the sample ranges from 8 billion pesetas to 740 billion pesetas. The average value is 30.9 billion pesetas. The combined total sales turnover of the companies in the sample amounts to 30,903 billion pesetas. Figure 1 shows the distribution of the companies among the various sales categories.

Figure 1. Sales



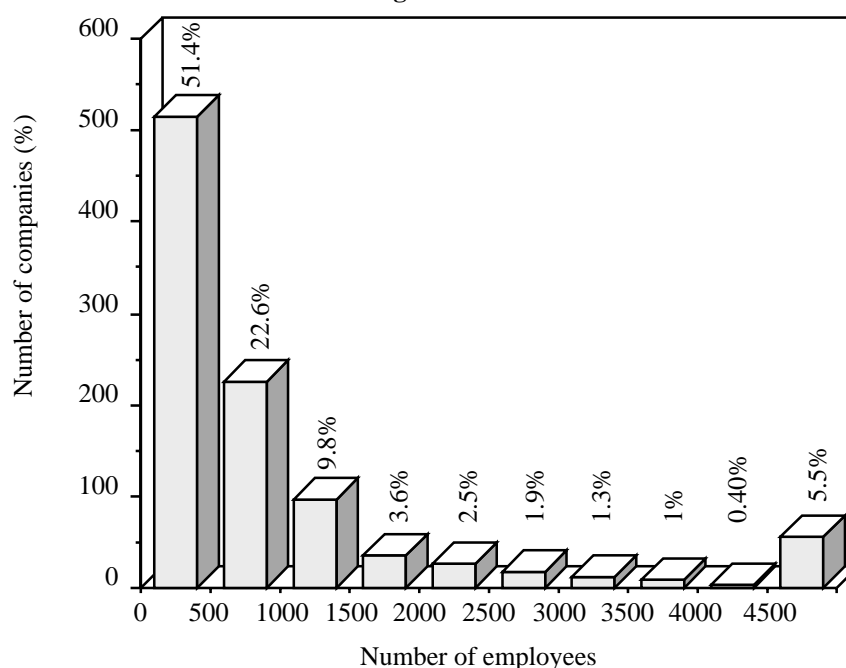
The final interval in the histogram (sales over 110 billion pesetas) contains the “top tail” of the sample, which has the following features:

- It consists of 39 companies (3.9% of the companies in the sample).
- These 39 companies have a sales turnover ranging between 110 and 740 billion pesetas.
- The average sales turnover of the 39 companies is 254 billion pesetas.
- The total sales turnover of the 39 companies is 9,919 billion pesetas (32% of the sample’s total turnover).

### *Workforce*

The size of the sample companies’ workforces ranges from the exceptional 2 employees (in the case of a finance company) to 66,000 employees. The average is 1,292 employees. In total, the 1,000 largest Spanish companies employ 1,292,289 people. Figure 2 shows the distribution of the companies according to the size of their workforce.

Figure 2. Workforce



The last interval of the histogram (workforce over 4,500 employees) contains the “top tail”, which has the following features:

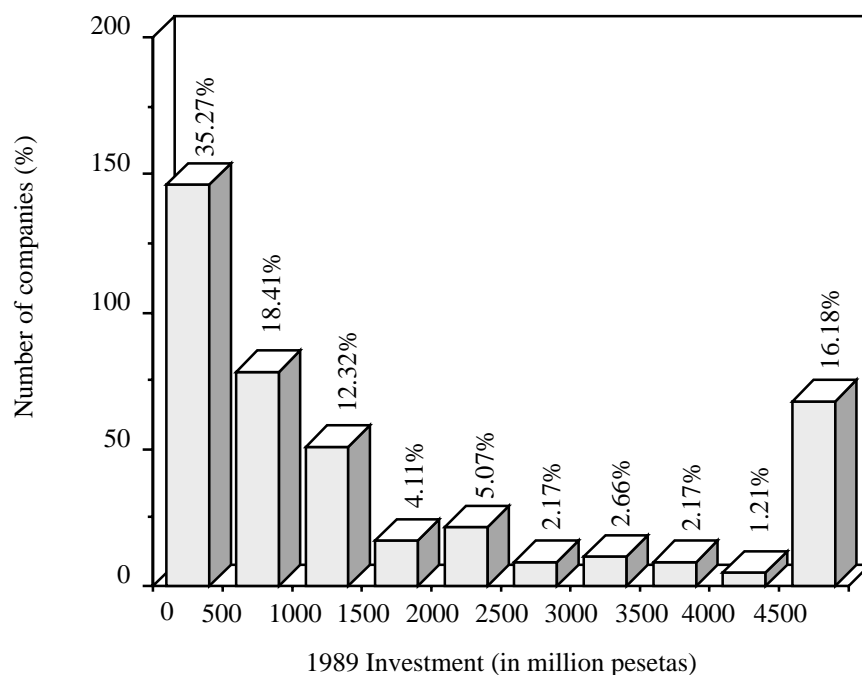
- It consists of 55 companies (5.5% of the companies in the sample)
- These 55 companies have workforces of between 4,500 and 66,000 employees.
- The average workforce of these 55 companies amounts to 11,361 employees.
- The total workforce of these 55 companies is 624,880 employees (48% of the total workforce of the companies in the sample).

#### *Annual investment in fixed assets (2)*

The level of investment in fixed assets in 1989 ranges between 3 million pesetas and 582 billion pesetas. The average value is 4.67 billion pesetas. Total investment in fixed assets in 1989 by the 414 companies from the sample that provided this information amounts to 1,933.6 billion pesetas. Figure 3 shows the distribution of these companies according to the level of investment.

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(2) The data correspond to the 414 companies for which *Fomento de la Producción 1990* provides this type of information.

**Figure 3. Annual investment in fixed assets**

The group of companies corresponding to the last interval in the histogram has the following features:

- It consists of 67 companies (16.2% of the companies in the subsample).
- The investment in fixed assets made by these companies in 1989 ranges between 4.5 billion pesetas and 582 billion pesetas.
- The average value of the investment in fixed assets made by these 67 companies in 1989 is 23.6 billion pesetas.
- Total investment in fixed assets by these 67 companies in 1989 amounts to 1,582 billion pesetas (82% of the subsample total).

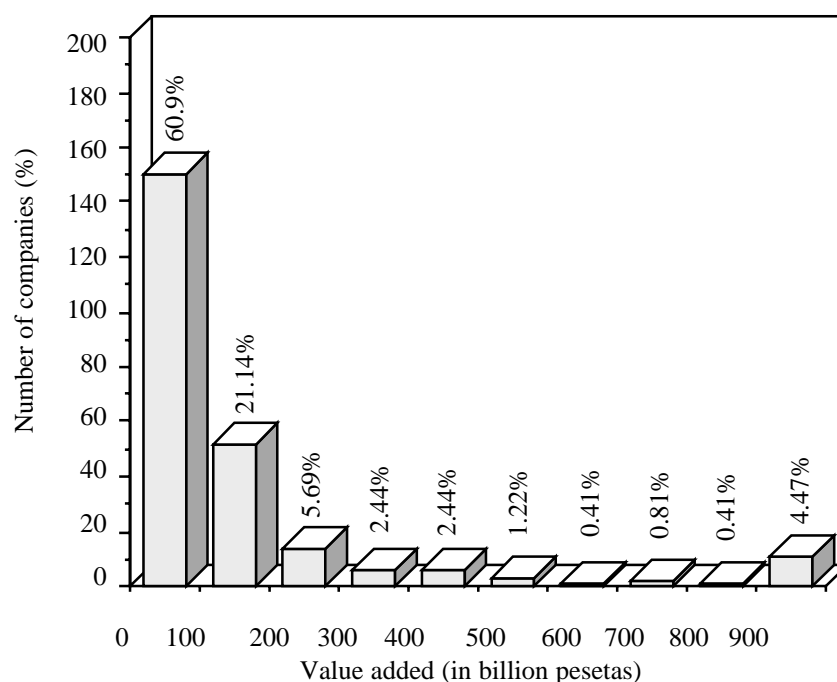
### *Value added (3)*

The level of value added by the companies in the sample ranges from 264 million pesetas to 707 billion pesetas. The average is 19.28 billion pesetas. The total value added by the 246 companies in the sample that provided this information is 4,723.7 billion pesetas.

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(3) Economic Value Added as the sum of: Personnel expenses. Financial expenses. Depreciation. Tax. Net Profit. The data correspond to 246 companies.

Figure 4. Value added



The group of companies corresponding to the final interval in the histogram has the following features:

- It consists of 11 companies (45% of the companies in the subsample)
- These companies obtained a value added ranging between 90 billion pesetas and 707 billion pesetas.
- The average value added of these 11 companies is 190.3 billion pesetas.
- The total value added by these 11 companies is 2,093 billion pesetas (44% of the subsample total).

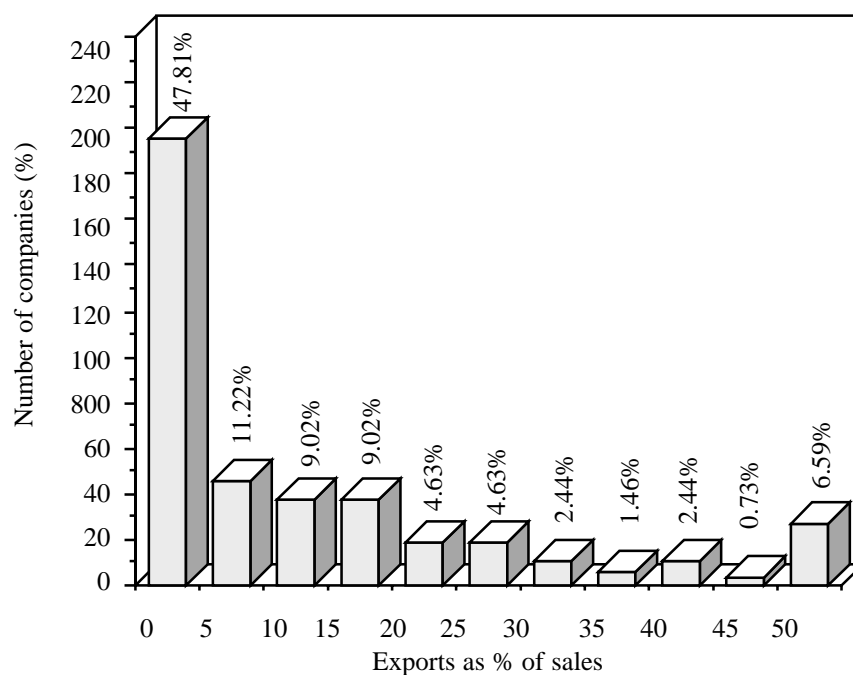
#### Exports (4)

The export sales of the companies in the sample range from 1 million pesetas to 217 billion pesetas. The average value is 4.96 billion pesetas. Total exports of the 410 companies amount to 2,034 billion pesetas. Figure 5 gives the distribution of these companies among the various levels of export sales.

(4) The publication *Fomento de la Producción 1990* does not give any information on exports. The data correspond to the 410 companies in this sample that could be identified in the publication *Censo Oficial de Exportadores* (1989).



Figure 5. Exports



The last interval of the histogram groups 27 companies whose export sales account for more than 50% of total sales. The average percentage of export sales in this group is 68%, with 2 companies having 100% export sales.

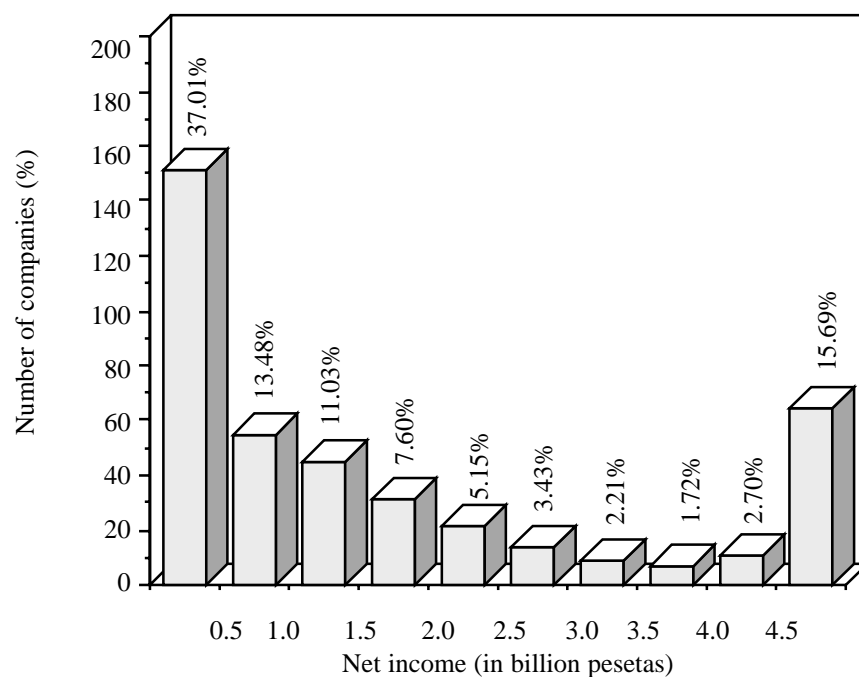
#### *Net income (5)*

The profit levels obtained by the companies in the sample range from 190.8 billion pesetas of losses to 71.45 billion pesetas of profit. The average value is 2.29 billion pesetas of profit. Total profits of the 408 companies in the sample that gave this information is 934 billion pesetas. Figure 6 shows the distribution of these companies according to profit levels.

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(5) The data correspond to 408 companies.

Figure 6. Net income



The first interval in the histogram (net income up to 500 million pesetas) includes the companies with losses. This subgroup consists of 42 companies with an average loss of 6.7 billion pesetas and a total loss of 281.6 billion pesetas.

The last interval (net income over 4.5 billion pesetas) contains 64 companies with an average net income of 13.3 billion pesetas and a total net income of 849 billion pesetas (91% of the profits earned by the subsample).

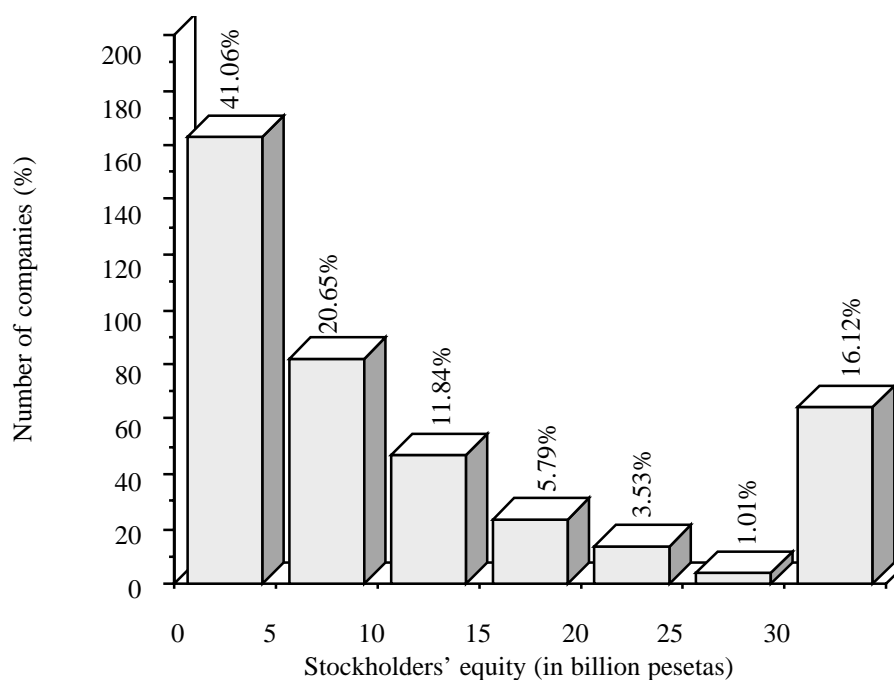
#### *Stockholders' equity (6)*

The stockholders' equity of the companies in the sample ranges from 28 million pesetas to 1,334.5 billion pesetas. The average value is 25.66 billion pesetas. The total stockholders' equity of the 397 companies that provided this information is 10,187.6 billion pesetas.

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(6) The data correspond to 397 companies.

Figure 7. Stockholder's equity



The last interval of the histogram (stockholders' equity over 30 billion pesetas) contains 64 companies with an average stockholders' equity of 122.5 billion pesetas and a total stockholders' equity of 7,840 billion pesetas (77% of the subsample's stockholders' equity).

#### *Area of business activity (7)*

The following figure shows the distribution of the 1,000 largest Spanish companies among the various areas of activity and the percentage of sales and total workforce corresponding to each area.

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(7) The publication *Fomento de la Producción* breaks down total business activity into 30 areas.

**Figure 8. Areas of business activity**

<b>AREAS</b>	<b>Number of companies</b>	<b>Sales (billion ptas.)</b>	<b>Workforce</b>
Oils	15 1.50%	384 1.24%	3,975 0.31%
Miscellaneous activities	19 1.90%	841 2.72%	66,138 5.12%
Food	92 9.20%	1,804 5.84%	60,281 4.67%
Drink	32 3.20%	721 2.33%	28,902 2.24%
Rubber and Tires	4 0.40%	320 1.04%	21,963 1.70%
Cement	12 1.20%	208 0.67%	6,444 0.50%
Retail, Pharmaceuticals	11 1.10%	230 0.74%	3,464 0.27%
Retail, vehicles	20 2.00%	478 1.55%	5,464 0.42%
Retail, general	45 4.50%	895 2.90%	9,706 0.75%
Fashion	7 0.70%	106 0.34%	10,932 0.85%
Metalworking & machine building	33 3.30%	486 1.57%	44,803 3.47%
Construction & real estate	37 3.70%	1,441 4.66%	76,477 5.92%
Shipbuilding	5 0.50%	128 0.41%	29,207 2.26%
Publishing	23 2.30%	408 1.32%	17,000 1.32%
Home appliances	20 2.00%	420 1.36%	17,286 1.34%
Electronics	11 1.10%	392 1.27%	26,985 2.09%
Electricity supply	23 2.30%	2,069 6.70%	48,694 3.77%
Finance	51 5.10%	1,497 4.84%	3,861 0.30%
Department stores	72 7.20%	2,626 8.50%	116,228 9.00%
Catering and tourism	22 2.20%	545 1.76%	50,120 3.88%
Pharmaceutical industry	20 2.00%	270 0.87%	14,936 1.16%
Data processing	16 1.60%	562 1.82%	18,695 1.45%

**Figure 8. Areas of business activity (continued)**

<b>AREAS</b>	<b>Number of companies</b>	<b>Sales (billion ptas.)</b>	<b>Workforce</b>
Engineering	5 0.50%	61 0.20%	3,406 0.26%
Wood and furniture	4 0.40%	48 0.16%	2,024 0.16%
Building materials	10 1.00%	193 0.62%	9,093 0.70%
Electrical materials	26 2.60%	475 1.54%	41,434 3.21%
Metallurgy	13 1.30%	353 1.14%	12,356 0.96%
Mining	11 1.10%	186 0.60%	30,820 2.39%
Paper and cardboard	16 1.60%	352 1.14%	14,187 1.10%
Cosmetics and detergents	19 1.90%	326 1.05%	11,704 0.91%
Crude oil	24 2.40%	1,812 5.86%	24,114 1.87%
Leather & tanned products	3 0.30%	30 0.10%	1,767 0.14%
Plastics	5 0.50%	110 0.36%	3,661 0.28%
Milk products	21 2.10%	413 1.34%	17,631 1.37%
Advertising	24 2.40%	472 1.53%	4,352 0.34%
Chemicals	38 3.80%	1,186 3.84%	40,974 3.17%
Insurance	64 6.40%	1,875 6.07%	34,590 2.68%
Public Services	11 1.10%	1,000 3.24%	74,534 5.77%
Steelmaking	33 3.30%	911 2.95%	47,104 3.65%
Textile	12 1.20%	199 0.64%	15,265 1.18%
Transport	47 4.70%	1,305 4.22%	111,923 8.67%
Vehicles	19 1.90%	2,646 8.56%	101,205 7.84%
Glass	5 0.50%	119 0.39%	7,584 0.59%
<b>Total</b>	<b>1,000</b> <b>100%</b>	<b>30,903</b> <b>100%</b>	<b>1,291,289</b> <b>100%</b>

It is readily apparent from these figures that, of the 1,000 largest companies in Spain, a very small number account for very high proportions of the total figures for: Sales; Personnel; Value added; Annual investment in fixed assets; Exports; Profit; and Stockholders' equity.

Also, the areas with the highest percentages of the total sales and personnel of the 1,000 largest companies in Spain are: Department stores; Vehicles; Transport; Public Services; Crude Oil; Insurance; Chemicals; and Steelmaking.

### 3. Family businesses in the sample

Obviously, a sample of this size groups together various different types of company, including State-owned companies, listed companies, multinationals established in Spain, subsidiaries of foreign companies, subsidiaries of Spanish companies, family businesses, etc. In this study, FBs (8) have been considered to comprise those that meet the following criterion (9):

- The share of 1 or 2 families, who are the largest shareholders, in the ownership of the company's capital is greater than 10%. And the joint share in the ownership of the company's capital of the next three shareholders, in order of their percentage holding, is less than one third of the share held by the family.

In cases where insufficient information is available to accurately ascertain the shareholders' percentage holdings (10), it has been considered that the company is a FB if a substantial number of the company's directors and senior managers are members of the same family.

In the case of subsidiaries, they have been considered to be FBs if their parent company (owning more than 50% of the shares) is a FB according to the above criterion.

However, one must not lose sight of the fact that the basic point about whether a company is a FB has to do with whether significant features of the culture of the owning family are also part of the culture of the company, and whether the family has the will and the ability to ensure that this culture is maintained (thanks to their share in the capital and their power to manage it or control its management). This is difficult to ascertain in samples of the size studied here. However, it is fairly likely that companies classified as FBs on the basis of the criterion stated above really are FBs.

Precise information on the percentage of shares held by the family was available for 90 of the subsample of 166 companies that classified as FBs. They were distributed as follows:

- 
- (8) There is no definition for a FB that can be considered universally accepted, which is natural given the great quantity and variety of FBs existing (FBs probably account for 80% of the worldwide universe of companies). The most commonly accepted definitions refer to the ownership of the capital stock and the exercise of power by the family members.
- (9) This criterion enables the data of this study to be compared with previous studies performed in Spain (Gallo & García Pont, 1988).
- (10) The information on shareholders' holdings has been obtained through Maxwell Espinosa's *Directorio de los accionistas* (1990).

– 100% share	57 companies (63%)
– 10-50% share	29 companies (32%)
– Less than 10% share	4 companies (5%)

The 76 companies for which no information on shareholdings was available were classified as FBs because in all of them the CEO, Managing Director or sole Administrator was a member of the family and there were at least two other family members holding senior management posts.

The presence of FBs among the 1,000 top companies in Spain, as indicated by a number of economic parameters, is shown in the following figure:

**Figure 9**

		FB	NFB	TOTAL
Number of companies		166	834	1,000
	%	17	83	100
Total sales (in billion ptas.)		3,238	27,666	30,903
	%	10	90	100
Total workforce (in thousand employees)		189	1,102	1,291
	%	15	85	100
Total annual investment in fixed assets (*) (in billion pesetas)		74	1,859	1,934
	%	4	96	100
Total economic value added (*) (in billion ptas.)		209	4,515	4,724
	%	4	96	100
Total net income (*) (in billion pesetas)		61	873	934
	%	7	93	100
Total exports (*) (in billion pesetas)		124	1,909	2,034
	%	6	94	100
Total stockholders' equity (*) (in billion ptas.)		330	9,858	10,188
	%	3	97	100

(\*) The data correspond to the groups of companies for which information is available in each case.

Figure 10 compares FBs and NFBs with regard to various types of ratios.

**Figure 10**

	<b>FB</b>	<b>NFB</b>	<b>TOTAL</b>
Sales/Workforce	17.13	25.10	23.93
Value added/Staff	6.33	15.81	14.93
Exports/Sales	0.08	0.17	0.16
Net income/Sales	0.07	0.07	0.07
Net income/ Stockholders' equity	0.21	0.08	0.09

(\*) Values obtained by dividing the means for each item.

As, in this sample of 1,000 companies, a very small number of companies accounts for a very large proportion of sales, value added, etc., the sample has been broken down, according to sales turnover, into five subgroups of 200 companies each, with the results shown in Figures 11 and 12 below (11).

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(11) "Group 1" is composed of the 200 largest companies in the country and includes:

- The 39 companies accounting for 39% of the sample's total sales (Figure 1)
- 48 of the 55 companies that account for 48% of the sample's total workforce (Figure 2)
- 47 of the 67 companies that account for 82% of the total annual investment in fixed assets (Figure 3)
- The 11 companies that account for 44% of the sample's total value added (Figure 4)
- 52 of the 64 companies that account for 91% of the sample's total profits (Figure 6)
- 51 of the 64 companies that account for 77% of the sample's stockholders' equity (Figure 7)



Figure 11 (a)

	<b>GROUP 1</b>		<b>GROUP 2</b>	
	<b>740-32.79</b>		<b>32.5-18.62</b>	
	<b>FB</b>	<b>NFB</b>	<b>FB</b>	<b>NFB</b>
<b>Sales volume</b> (in billion pesetas)				
<b>Number of companies</b>	20 10%	180 90%	24 12%	176 88%
<b>Total sales</b> (in billion pesetas)	1,171 6%	17,653 94%	601 12%	4,316 88%
<b>Average sales</b>	58.57	98.07	25.04	24.52
<b>Total workforce</b> (number of employees)	70,100	693,511	46,733	170,746
<b>Average workforce</b>	3,505 9%	3,853 91%	1,947 21%	970 79%
<b>Total value added</b> (in billion pesetas) (Data from 246 companies)	58 2%	3,774 98%	74 16%	391 84%
<b>Average value added</b>	11.70	44.93	10.57	8.69
<b>Net income</b> (in billion pesetas) (Data from 408 companies)	23 3%	637 97%	10 7%	143 93%
<b>Average net income</b>	2.5	5.35	1.26	1.62
<b>Exports</b> (in billion pesetas) (Data from 410 companies)	23 2%	1,381 98%	27 11%	214 89%
<b>Average exports</b>	1.91	15.69	2.44	3.06
<b>Stockholders' equity</b> (in billion pesetas) (Data from 397 companies)	112 1%	7,636 99%	44 4%	1.2 96%
<b>Average stockholders' equity</b>	14.05	66.4	6.27	15

Figure 11 (b)

	GROUP 3		GROUP 4		GROUP 5	
	18.6-13.2		13.16-10.0		10.0-8.0	
	FB	NFB	FB	NFB	FB	NFB
<b>Sales volume</b> (in billion pesetas)						
<b>Number of companies</b>	41 20%	159 80%	43 22%	157 78%	38 19%	162 81%
<b>Total sales</b> (in billion pesetas)	625 20%	2,472 80%	507 22%	1,799 78%	334 19%	1,426 81%
<b>Average sales</b>	15.23	15.55	11.79	11.46	8.79	8.81
<b>Total workforce</b> (number of employees)	26,812 22%	95,019 78%	23,429 24%	72,806 76%	21,909 24%	70,224 76%
<b>Average workforce</b>	654	598	545	464	577	433
<b>Total value added</b> (in billion pesetas) (Data from 246 companies)	43 18%	193 82%	11 10%	92 90%	23 26%	65 74%
<b>Average value added</b>	4.79	5.67	3.57	3.29	4.56	2.60
<b>Net income</b> (in billion pesetas) (Data from 408 companies)	19 22%	66 78%	5 14%	33 86%	5	-5
<b>Average net income</b>	1.23	1.19	1.08	0.65	0.57	-0.09
<b>Exports</b> (in billion pesetas) (Data from 410 companies)	26 15%	145 85%	29 23%	98 77%	20 22%	72 78%
<b>Average exports</b>	1.52	2.63	1.52	1.60	1.04	1.24
<b>Stockholders' equity</b> (in billion pesetas) (Data from 397 companies)	64 10%	581 90%	65 27%	174 73%	45 14%	267 86%
<b>Average stockholders' equity</b>	5.35	9.85	5.91	3.54	3.44	6.21

Figure 12 (a)

Sales volume (in billion pesetas)	GROUP 1		GROUP 2	
	740-32.79		32.5-18.62	
	FB	NFB	FB	NFB
<b>Sales/Workforce</b>	16.71	25.45	12.86	25.28
<b>Value added/workforce</b> (data from 246 companies)	3.34	11.66	5.43	8.95
<b>Exports/Sales</b> (Data from 410 companies)	0.03	0.16	0.10	0.12
<b>Net income/Sales</b> (Data from 408 companies)	0.04	0.05	0.05	0.07
<b>Net income/stockholders' equity</b> (Data from 397 companies)	0.18	0.08	0.20	0.11

Figure 12 (b)

Sales volume (in billion pesetas)	GROUP 3		GROUP 4		GROUP 5	
	18.6-13.2		13.16-10.0		10.0-8.0	
	FB	NFB	FB	NFB	FB	NFB
<b>Sales/workforce</b>	23.29	26.02	21.64	24.70	15.24	20.31
<b>Value added/workforce</b> (Data from 246 companies)	7.32	9.49	6.54	7.10	7.91	5.99
<b>Exports/Sales</b> (Data from 410 companies)	0.10	0.17	0.13	0.14	0.12	0.14
<b>Net income/sales</b> (Data from 408 companies)	0.08	0.08	0.09	0.06	0.07	-0.01
<b>Net income/ stockholders' equity</b> (Data from 397 companies)	0.23	0.12	0.18	0.18	0.17	-0.02

In Spain, 17% of the 1,000 largest companies are FBs. Considering that these FBs are companies with annual sales over 8 billion pesetas, this percentage is highly indicative of these companies' weight in the country's economy and future development.

However, according to several of the studies quoted in the Introduction, the presence of FBs among large corporations is lower in Spain than in other, economically more developed countries. Perhaps this is due to the pace at which the country's business

structure has developed and the fact that part of the development was achieved with the help of State-owned companies (many of which were still State-owned in 1989), making it difficult for local FBs to achieve the size they needed in order to be able to compete before entry barriers became too high for them.

Furthermore, as can be seen in Figure 11, the number of FBs among the 400 largest companies in Spain (Groups 1 and 2) is about half the number of FBs in the 600 next largest companies (Groups 3, 4 and 5).

Without overlooking the fact that the first two groups include companies that for many years had a quasi-monopoly of important services and products (telephony, transportation, tobacco, petroleum products, etc.), Spanish subsidiaries of large multinationals, or companies which require large amounts of capital or heavy investments, it seems clear that FBs find it difficult to achieve high growth over long periods of time (12).

### *Sales*

FBs account for 10% of the total sales of the companies in the sample, with an average turnover of 19.5 billion pesetas, while NFBs account for 90% of sales, with an average turnover of 33.2 billion pesetas. These data show that FBs, as a “subgroup” in this group of the top 1,000, have a lower turnover than NFBs, with a Mean NFB Sales /Mean FB Sales ratio of 1.7 (13).

As can be seen in Figure 11, this lower sales turnover among FBs is most significant in the group of the 200 largest companies in Spain; while there are 50 NFBs above the 100 billion pesetas sales threshold, only 5 FBs manage to attain the same level (14).

### *Workforce*

FBs account for 15% of the total workforce employed by the 1,000 largest companies in Spain. This percentage is considerably (50%) higher than the 10% of total sales held by the FBs. Comparison of the two figures reveals that the FBs tend to be more “labor intensive” than “capital intensive”, as is also shown by the comparison between “sales per employee” (17.13 million pesetas in FBs as against 25.1 million pesetas in NFBs) and “value added per employee” (6.33 million pesetas in FBs as opposed to 15.81 million pesetas in NFBs), both of which are quite a lot lower in the case of the FBs.

This tendency towards greater labor intensiveness in FBs, compared with NFBs, is even more marked in the two groups that include the 400 largest companies.

### *Value added*

The FBs create 4% of the total value added, considerably (60%) less than the 10% of total sales accounted for by FBs. On comparing these figures, we can infer that the FBs

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(12) According to Leach (1990), the number of large FBs achieving annual growth rates exceeding 20% is below that of NFBs of the same size.

(13) The differences in turnover between NFBs and FBs are even more marked in the sample of US companies studied by Ward (1983), where the mean sales ratio between the two types of company is 5.

(14) A somewhat similar situation has been identified by Leach (1990), who says that there are no major differences in terms of sales between the NFBs and FBs with sales below £200 million (36,000 million pesetas).

are less vertically integrated than the NFBs, which is also consistent with the fact that annual investments in fixed assets by the FBs account for only 4% of the sample companies' total annual investment in fixed assets.

As can be seen in Figure 12, if we compare the “Sales/Workforce” and “Value Added/Workforce” ratios, this vertical integration is quite a lot lower in the FBs in the top 200 companies in Spain.

### *Exports*

The FBs account for 6% of total exports. This percentage is considerably (40%) lower than the 10% of total sales held by FBs. Comparison of the two figures corroborates the view that FBs tend to be more “local” companies, with fewer export sales as a percentage of total sales than NFBs (Gallo & Sveen, 1991). Among the top 200 companies, the level of exports by FBs is markedly lower.

### *Financial results*

FBs' return on sales is comparable with that of NFBs (7% in both cases), but their return on equity is almost 3 times that of NFBs. This difference, added to the greater “labor intensiveness” and lower degree of “vertical integration”, is probably due to the fact that FBs usually take on less debt, choosing instead to finance their growth and development with own funds, aided by lower dividend payouts (Dreux, 1990).

Without considering the special circumstances of the fifth group, the analysis by quintiles shows that size does not explain any differences in financial results between FBs and NFBs.

### *Summary*

According to the data shown in Figures 9, 10, 11 and 12, the large FBs in Spain can be distinguished from the NFBs in the following respects:

- Labor-intensive, i.e. less inclined to be “capital intensive”
- Less vertically integrated than the NFBs
- More local than the NFBs
- Higher return on stockholders' equity

However, the analysis by quintiles shows that the differences between FBs and NFBs as regards labor and capital intensiveness, vertical integration, exports and return on stockholders' equity narrow with decreasing size. Large differences in these respects are observed only among the largest companies.

## **4. Family businesses by area of business activity**

These data help us to visualize the presence of FBs among the top companies in Spain and compare them with NFBs as a whole. The following pages analyse the presence of FBs in different areas of industrial activity (15).

(15) We remind the reader that the comments that follow have only limited statistical validity due to the small size of the samples by sectors.

Figure 13. Presence of family businesses in different industries

AREAS	NUMBER OF COMPANIES			SALES (billion ptas.)			WORKFORCE		
	TOTAL	FB	NFB	TOTAL	FB	NFB	TOTAL	FB	NFB
<b>OILS</b>	15	4	11	384	152	232	3,975	1,615	2,360
%	100%	27%	73%	100%	39%	61%	100%	41%	59%
<b>MISCELLANEOUS ACTIVITIES</b>	19	6	13	841	109	732	66,138	33,760	32,378
%	100%	32%	68%	100%	13%	87%	100%	51%	49%
<b>FOOD</b>	92	34	58	1,804	574	1,230	60,281	22,282	37,999
%	100%	37%	63%	100%	32%	68%	100%	37%	63%
<b>DRINK</b>	32	11	21	721	257	464	28,902	8,542	20,360
%	100%	34%	66%	100%	36%	64%	100%	30%	70%
<b>RUBBER &amp; TIRES</b>	4	0	4	320	0	320	21,963	0	21,963
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>CEMENT</b>	12	3	9	208	36	172	6,444	1,268	5,176
%	100%	25%	75%	100%	17%	83%	100%	20%	80%
<b>RETAIL PHARMACEUTICAL</b>	11	0	11	230	0	230	3,464	0	3,464
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>RETAIL VEHICLES</b>	20	1	19	478	11	467	5,464	160	5,304
%	100%	5%	95%	100%	2%	98%	100%	3%	97%
<b>RETAIL GENERAL</b>	45	5	40	895	74	821	9,706	746	8,960
%	100%	11%	89%	100%	8%	92%	100%	8%	92%
<b>FASHION</b>	7	3	4	106	31	75	10,932	2,700	8,232
%	100%	43%	57%	100%	29%	71%	100%	25%	75%
<b>METAL WORKING MACHINE BLDG.</b>	33	4	29	486	50	437	44,803	3,709	41,094
%	100%	12%	88%	100%	10%	90%	100%	8%	92%
<b>CONSTRUCTION &amp; REAL ESTATE</b>	37	5	32	1,441	309	1,132	76,477	20,314	56,163
%	100%	14%	86%	100%	21%	79%	100%	27%	73%
<b>SHIPBUILDING</b>	5	0	5	128	0	128	29,207	0	29,207
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>PUBLISHING</b>	23	7	16	408	179	229	17,000	7,217	9,783
%	100%	30%	70%	100%	44%	56%	100%	42%	58%
<b>HOUSEHOLD APPLIANCES</b>	20	1	19	420	12	408	17,286	329	16,957
%	100%	5%	95%	100%	3%	97%	100%	2%	98%
<b>ELECTRONICS</b>	11	0	11	392	0	392	26,985	0	26,985
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>ELECTRICITY SUPPLY</b>	23	0	23	2,069	0	2,069	48,694	0	48,694
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>FINANCE</b>	51	1	50	1,497	15	1,482	3,861	250	3,611
%	100%	2%	98%	100%	1%	99%	100%	6%	94%
<b>DEPARTMENT STORES</b>	72	19	53	2626	317	2309	116,228	14,668	101,560
%	100%	26%	74%	100%	12%	88%	100%	13%	87%

Figure 13. Presence of family businesses in different industries (continued)

AREAS	NUMBER OF COMPANIES			SALES (billion ptas.)			WORKFORCE		
	TOTAL	FB	NFB	TOTAL	FB	NFB	TOTAL	FB	NFB
<b>CATERING &amp; TOURISM</b>	22	7	15	545	205	340	50,120	29,222	20,898
%	100%	32%	68%	100%	38%	62%	100%	58%	42%
<b>PHARMACEUTICAL INDUSTRY</b>	20	5	15	270	62	208	14,936	3,966	10,970
%	100%	25%	75%	100%	23%	77%	100%	27%	73%
<b>DATA PROCESSING</b>	16	1	15	562	9	553	18,695	740	17,955
%	100%	6%	94%	100%	2%	98%	100%	4%	96%
<b>ENGINEERING</b>	5	1	4	61	8	53	3,406	700	2,706
%	100%	20%	80%	100%	13%	87%	100%	21%	79%
<b>WOOD &amp; FURNITURE</b>	4	2	2	48	22	26	2,024	948	1,076
%	100%	50%	50%	100%	46%	54%	100%	47%	53%
<b>BUILDING MATERIALS</b>	10	2	8	193	64	129	9,093	5,619	3,474
%	100%	20%	80%	100%	33%	67%	100%	62%	38%
<b>ELECTRICAL MATERIAL</b>	26	2	24	475	46	429	41,434	3,672	37,762
%	100%	8%	92%	100%	10%	90%	100%	9%	91%
<b>METALLURGY</b>	13	0	13	353	0	353	12,356	0	12,356
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>MINING</b>	11	1	10	186	11	175	30,820	1,756	29,064
%	100%	9%	91%	100%	6%	94%	100%	6%	94%
<b>PAPER &amp; CARDBOARD</b>	16	0	16	352	0	352	14,187	0	14,187
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>COSMETICS &amp; DETERGENTS</b>	19	2	17	326	22	304	11,704	1,307	10,397
%	100%	11%	89%	100%	7%	93%	100%	11%	89%
<b>CRUDE OIL</b>	24	0	24	1,812	0	1,812	24,114	0	24,114
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>LEATHER &amp; TANNED PRODUCTS</b>	3	2	1	30	19	11	1,767	872	895
%	100%	67%	33%	100%	63%	37%	100%	49%	51%
<b>PLASTICS</b>	5	0	5	110	0	110	3,661	0	3,661
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>MILK PRODUCTS</b>	21	9	12	413	196	217	17,631	7,817	9,814
%	100%	43%	57%	100%	47%	53%	100%	44%	56%
<b>ADVERTISING</b>	24	0	24	472	0	472	4,352	0	4,352
%	100%	0%	100%	100%	0%	100%	100%	0%	100%
<b>CHEMICALS</b>	38	2	36	1,186	24	1,162	40,974	1,178	39,796
%	100%	5%	95%	100%	2%	98%	100%	3%	97%
<b>INSURANCE</b>	64	2	62	1,875	69	1,806	34,590	1,867	32,723
%	100%	3%	97%	100%	4%	96%	100%	5%	95%
<b>PUBLIC SERVICES</b>	11	0	11	1,000	0	1,000	74,534	0	74,534
%	100%	0%	100%	100%	0%	100%	100%	0%	100%

**Figure 13. Presence of family businesses in different industries (continued)**

AREAS	NUMBER OF COMPANIES			SALES (billion ptas.)			WORKFORCE		
	TOTAL	FB	NFB	TOTAL	FB	NFB	TOTAL	FB	NFB
<b>STEELMAKING</b>	33	7	26	911	126	785	47,104	5,131	41,973
%	100%	21%	79%	100%	14%	86%	100%	11%	89%
<b>TEXTILE</b>	12	4	8	199	44	155	15,265	4,876	10,389
%	100%	33%	67%	100%	22%	78%	100%	32%	68%
<b>TRANSPORT</b>	47	12	35	1,305	174	1,131	111,923	1,310	110,613
%	100%	26%	74%	100%	13%	87%	100%	1%	99%
<b>VEHICLES</b>	19	1	18	2,646	14	2,632	101,205	442	100,763
%	100%	5%	95%	100%	1%	99%	100%	0.44%	99.56%
<b>GLASS</b>	5	0	5	119	0	119	7,584	0	7,584
%	100%	0%	100%	100%	0%	100%	100%	0%	100%

In light of the information given in Figure 8, which shows the sample's structure by area of business activity, and in Figure 12, which shows the percentage of FBs in each area, three types of area can be defined: those with no FBs; those where the presence of FBs is below the sample mean; and those where the presence of FBs is above the sample mean.

The features of the first type of area (Rubber and Tires; Retail, Pharmaceuticals; Shipbuilding; Electronics; Electricity; Metallurgy; Paper; Crude Oil; Plastics; Advertising; Public Services; Glass) lead one to think that FBs have more difficulties in attaining a large size in areas that:

- Require heavy investment.
- Have been very concentrated from the start or have gone through an intensive concentration process.
- Tend to become globalized, particularly through investments in other countries.
- Go through deep economic crises.
- Are or were considered “sensitive” by the national government, which, on occasions, acted through publicly-owned companies.

The features of the areas in which the presence of FBs is below average (Finance; Insurance; Vehicles; Retail, Vehicles; Home Appliances; Chemicals; Data Processing) confirm the above-mentioned difficulties.

The features of the third type of area, where the prevalence of FBs is markedly above the sample average (Publishing; Catering; Building Materials; Fashion; Drinks; Food; Milk Products; Wood; Leather), lead one to think that FBs tend to stay and grow to a position of market leadership in:

- Areas where the strength of competitive advantages is based on a high, ongoing commitment to an ideological stance, tradition, and particular assets considered “historical” by the family (16).

(16)With regard to this point, Leach (1990) says that FBs tend to be “older” than NFBs.



- Areas in which competitive advantages are significantly linked with some knowledge, skill or attitude that is passed on more naturally from father to son and by experience than by other ways and must be learned at an early stage in life.
- Areas more closely related to the production of consumer goods than of capital goods, or to the production of services that require frequent and significant technological innovations.
- Areas in which, despite intense internationalization, the importance of local brands continues to be very high.
- Areas in which the internationalization process consists more of exports than of direct investments abroad.
- Areas with a relatively unconcentrated structure.
- Areas whose activities may be considered as a “natural extension” of “domestic” activities.
- Areas in which the investments required to maintain leadership are not extraordinarily high.

The well-known fact that some areas, such as Home Appliances and Paper, have lost major FBs in recent years suggests the advisability of performing longitudinal studies in the future to verify whether it is in fact these or other circumstances that favor the growth of FBs.

## 5. Concluding remarks

The comments made in the previous sections call for a few qualifications.

First, one must remember that the data reflect the situation in 1989, and it may be that, as a result of generational change, Spain’s membership of the EEC, the concentration in the number of companies, etc., the influence of FBs has decreased sharply over a period of a few years in areas where the presence of FBs was previously very marked. The opposite situation –FBs acquiring greater influence– is fairly unlikely to occur, owing to the very high economic and psychological entry barriers that prevent a family from buying a large-sized company.

Second, as the information refers to the 1,000 largest companies in Spain, the conclusions regarding the presence of FBs cannot be extrapolated to all sizes of company. Although it is true that FBs are often on the leading edge of a country’s business development, it is also true that there are mature sectors with a large number of companies, many of them family businesses, that reflect the well-known resistance to change, “provincialism”, and “lateral rigidity” to internationalization (Luostarinen and Welch, 1990).

Third, although the prevalence of FBs in the Spanish economy is still very high, in countries such as the USA and Great Britain, which have a stronger tradition of market economy, a higher level of economic development and a longer history of commerce, it is even higher.

FBs are currently undergoing a process of review by society similar to that recently undergone by the controlled economy. After a prolonged period of support by many people for

totalitarian systems, there is now a widely shared preference for systems of free competition. In the case of FBs, having run them down for many years, society is now rediscovering their importance for achieving higher levels of development. One clear sign of this is the recent growth, both in number and in size, of financial institutions that “specialise” in FBs.

The presence of FBs is greatest in those areas where the need to create jobs is greatest and the financial resources available are least abundant, as has been seen in the comparison between FBs and NFBs.

Nevertheless, it should also be borne in mind that, just as confidence in the value of free competition is founded on strict and sincere fulfilment by companies of their social responsibilities, confidence in FBs will be consolidated only as a result of the efforts they make to achieve levels of professional excellence in the provision of goods and services to society, to create and distribute economic wealth, to develop all the people who work in them, and to ensure continued growth over time.

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