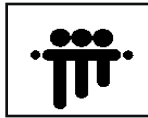


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BRINGING UNIVERSITY GRADUATES  
INTO THE FAMILY BUSINESS

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## **BRINGING UNIVERSITY GRADUATES INTO THE FAMILY BUSINESS: ATTITUDES AND KNOWLEDGE**

### **1. Introduction\***

Within the next few years the control of many Family Businesses (FBs) will be handed over from one generation to the next.

It is estimated that about 40% of the FBs in Spain will undergo a change from one generation to the next before the year 2000 (Gallo and García Pont, 1989). In the United States, population forecasts indicate that more than a trillion dollars of property will be transferred in this way over the next five years (de Visscher, 1995).

Successful generation transfers depend on various factors (Aronoff and Ward, 1991; Gallo, 1995; Lansberg, 1988; Ward, 1985), one of them being the process of bringing in and retaining managers.

Many authors have focused on the importance of keeping managers who are not members of the family (Gallo, 1991; Joyce, 1994; Perkins, 1992).

However, few have studied recent graduates' intentions with regard to joining their own family's FB and the knowledge they have about this type of company, particularly those who, in theory, are best equipped for the task, as is the case with MBA students (Joyce, 1994).

In order to gain more knowledge about this subject, first-year MBA students were asked to complete a questionnaire concerning Family Businesses. This was done between the second and fourth week after the students had begun their studies at IESE, in October 1990, 1991, 1992 and 1993.

The first part of the questionnaire establishes whether the family has an FB and whether the student has the opportunity and the intention of working in it. The second part is about the range and the accuracy of the knowledge that the student believes he/she has about the main problems facing FBs.

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The total number of students enrolled in IESE's MBA program during the four years 1990-1993 was 823, and there were 798 valid questionnaires completed (97%). Of these, 538 (67.4%) corresponded to students in the domestic section and 260 (32.6%) were from the international section (1).

The results of the research showed the following:

- FBs are not considered an attractive career choice once students finish the MBA program.
- Many of the graduates whose families have an FB are undecided about joining it.
- The difficulties facing FBs are not well understood, specially as regards «succession».
- The most well-known problems are those concerning difficulties in achieving growth.

## **2. Students' opportunities and intentions with regard to joining the family business**

Table 1 shows the responses of the students as a whole, and a breakdown for each of the two sections, domestic and international, to the following two questions:

- Does the student's family have an FB?
- Does the student have the opportunity to work in the FB?

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(1) During the years when the questionnaire was administered, IESE's MBA was an international program that lasted for two academic years. In the first year, classes are given in Spanish in the national/domestic section and in English in the international section. The second year is bilingual and the classes are in either of the two languages. The geographic origin of the students is as follows:

- Spain	70%
- Rest of Europe	11%
- Latin America	10%
- North America	5%
- Rest of World	4%

**Table 1**

	National	Internat'l.	Total
Number of students	538 100%	260 100%	798 100%
The family has an FB	238 44.2%	95 36.6%	333 41.7%
The student has the opportunity to work in the FB	174 32.3%	62 23.9%	236 29.6%

The family has an FB	238 100%	95 100%	333 100%
The student has the opportunity to work in the FB	174 73.1%	62 65.3%	236 70.9%

 (1)

Table 2 shows the responses of those students who do have the opportunity to work in their own family's FB to the question whether or not they intend to work in the FB.

**Table 2**

	National	Internat'l	Total
The student has the opportunity to work in the FB	174 100%	62 100%	236 100%

Plans to join the FB after finishing MBA	9 5.2%	2 3.2%	11 4.7%
Wants to work in another company and later join FB	79 45.5%	24 38.7%	103 43.6%
Does not want to work in FB	30 17.2%	13 21%	43 18.2%
Has not decided yet	56 32.2%	23 37.1%	79 33.5%

 (2)

The students who wanted to work in another company before joining the FB were asked how long they expected to be in the other company. Their answers can be seen in Table 3.

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- (1) This result is similar to that cited by Eckrich (1994), who analyzed a sample of 423 university students in the United States and found that 62% had the opportunity to work in their FB.
- (2) Hugron and Dumas (1991) found that, in a sample of 268 FBs in Quebec, 19% of the beneficiaries began their career working in another company first.

Table 3

	National	Internat'l	Total
Wants to work in another company and later join FB	79 100%	24 100%	103 100%
For 1 to 2 years	12 15.2%	4 16.7%	16 15.5%
For more than 2 but less than 4 years	7 8.9%	6 25%	13 12.6%
For 4 to 5 years	22 27.8%	4 16.7%	26 25.3%
For more than 5 years	11 13.9%	0 0%	11 10.7%
Does not know	27 34.2%	10 41.6%	37 35.9%

An analysis of the data in the previous three tables shows that:

- A large proportion (42%) of the students engaged in IESE's MBA program come from families with an FB.
- The majority (71%) of the students whose families have an FB think that they will have the opportunity to work in it when they finish the MBA program.
- Both of these percentages are considerably lower for the students in the international section. Given the origin of these students, the difference cannot be attributed to the fact that there are fewer FBs in their home country. A more logical explanation would be that, in general, the members of a family that owns an FB tend to study in their own country. FBs have a more «local» culture, as do the members of the owning families (Levinson, 1987).
- Of the students who think that they will have the opportunity to work in their family's FB, only 1 in 20 think that they will join the company immediately on completing their studies, while more than 5 in 20 do not want to work in the FB (1).

(1) These results contrast sharply with those cited by Joyce (1994). Working with a very different type of sample (225 undergraduate and postgraduate students in a college of 12,000 students in South-East USA), Joyce found that:

- 65% prefer to work in their own FB.
- 32% prefer to work in a company that is not an FB.

In a survey done in the University of Southern California Business School and cited by «The Family Business Advisor» (1995), 85% of students would like to work in an FB.

- A significant percentage of the students who «want to work in another company and later join the FB» (35.9%) «don't know» how long they actually want to stay in the first company before joining their family's FB.

Those students who plan to work in another company for «more than 5 years» (10.7%) can be included in the «Don't know» group noted above, because more than 5 years in another company is a long time and can be understood as another way of saying that they «don't know».

- When the following categories of students are grouped together: «Has not decided yet» (79 in Table 2); «Do not know how many years they want to work in another company before joining the family's FB» (37 in Table 3); and those who want to join with «more than 5 years» experience (11 in Table 3), it can be seen that more than half of the students (54%) are undecided about working in their family's FB. (Table 4)

**Table 4**

	National	Internat'l	Total
The student has the opportunity to work in the FB	174 100%	62 100%	236 100%
Undecided	94 54%	33 53%	127 54% (1)

All this information leads one to think, first of all, that working in the FB of one's own family is not an attractive alternative for most MBA students. It is important to point out that this is the opinion of people who have a business vocation and who, being of an age that would make them part of the FB's second generation and having passed the entrance exam to one of the most demanding business schools in Europe, can reasonably be expected to have somewhat above average intelligence and to know more than the average person of the same age about FBs.

Secondly, a large number of students want to gain experience in other companies before they join their FB.

While, on the one hand, this means that students are keen to demonstrate what they are worth and want to see exactly what they are capable of, it also means that the FB has to attract these family members once they have gone through this period of work experience and, probably, have achieved success.

Before considering the reasons for these two attitudes, it is advisable to examine some of the other information provided by the questionnaires, namely the information relating to the knowledge that the students think they have about FBs.

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(1) Eckrich (1994) states that students whose family owns an FB tend not to have a strong vocation in any particular direction.

The analysis of the students' perceptions focuses on two main issues. The first concerns the «range» of their knowledge, in terms of the number of typical FB problems that the students claim to be aware of. The second has to do with the «accuracy» of the students' knowledge, in terms of the importance that they attribute to each problem.

### **3. The knowledge that students think they have about family businesses**

The questionnaire describes in detail the following 12 problems facing FBs in order to find out how much the students know about them:

- 1 - Restrictions to rapid changes in strategy.
- 2 - Limitations to growth due to lack of management skills.
- 3 - Difficulties in financing growth.
- 4 - Decisions related to changes in the ownership structure.
- 5 - Difficulties in distributing profits.
- 6 - Limitations in obtaining a capable and active Board of Directors.
- 7 - Difficulties in changing the responsibility structure.
- 8 - Limitations in attracting, motivating and developing members of the next generation.
- 9 - Limitations in attracting, motivating and retaining managers that are not members of the family.
- 10 - Succession among top management.
- 11 - Relationship between company management and the family shareholders.
- 12 - Taxes on the transfer of ownership of the company by inheritance.

#### ***Range of knowledge***

For each of the above problems in the questionnaire the following question is asked:

– Do you know about the problem?: Yes/No

Table 5 lists the percentage of students in the total group (798 students) who claim to know about each of the 12 problems.

In this table, the column headed «Relative Index» indicates the ratio (in percentage) between the number of students who recognize a given problem and the number of students

who are familiar with the problem that is known to the highest number of students (no. 2), which has been given an index of 100. The abbreviations used in this column summarize the results (VW = very well known; W = well known; S = somewhat known; N = not well known; VL = very little known).

Table 5

Are familiar with the problem			
Problem	Yes	No	Relative Index
1- Changes in strategy	55,4%	44,6%	82
	63,4%	36,6%	91
	58%	42%	85 (W) <b>Total</b>
2- Growth and lack of managers	67,7%	32,3%	100
	70%	30%	100
	68,4%	31,6%	100 (VW) <b>Total</b>
3 - Financing growth	56,3%	43,7%	83
	56,5%	43,5%	81
	56,4%	43,6%	82 (W) <b>Total</b>
4 - Changes in ownership structure	46,5%	53,5%	69
	45,8%	54,2%	65
	46,2%	53,8%	68 (N) <b>Total</b>
5 - Distribution of profits	50,4%	49,6%	74
	39,2%	60,8%	56
	46,8%	53,2%	68 (N) <b>Total</b>
6 - Board of Directors	39%	61%	58
	42,7%	57,3%	61
	40,2%	59,8%	59 (VL) <b>Total</b>
7- Changes in the responsibility structure	58,6%	41,4%	87
	53,8%	46,2%	77
	57%	43%	83 (W) <b>Total</b>
8 - Attract and develop family members	64,3%	35,7%	95
	53,8%	46,2%	77
	60,9%	39,1%	89 (W) <b>Total</b>
9 - Attract and keep non-family managers	51,5%	48,5%	76
	50,8%	49,2%	73
	51,3%	48,7%	75 (S) <b>Total</b>
10 - Succession in top management positions	52,2%	47,8%	77
	59,2%	40,8%	85
	54,5%	45,5%	80 (S) <b>Total</b>
11- Management/ shareholder relationship	44,4%	55,6%	66
	60%	40%	86
	49,5%	50,5%	72 (S) <b>Total</b>
12 - Taxes on inheritance	37,9%	62,1%	56
	33,9%	66,1%	48
	36,6%	63,4%	54 (VL) <b>Total</b>



According to the data in the «Relative Index» column, the problem «Difficulties in growth due to lack of managers» (no. 2) is very well known (VW) compared to the other problems. «Difficulties in attracting and developing family members» (no. 8), «Limitations in changing the responsibility structure» (no. 7), and "Difficulties in financing growth (no. 3) are considered well known (W).

The high number of students who are familiar with the problems we have just mentioned is consistent with other facts, such as:

- Firstly, the fact that two of the most serious and common problems in FBs, the lack of a will or the lack of resources to CHANGE and GROW (Gallo, 1995), are clearly present in the FBs that the students have had experience of, directly or indirectly, and so they feel that they know about them.
- Secondly, the fact that students of MBA programs like that of IESE are people who aspire to positions of great responsibility or technical specialization; when they examine the opportunities offered by FBs, they feel that this type of company is too small or too «closed» (Levinson, 1987).

The problems that are «very little known» (VL) to the student group as a whole are those to do with «Taxes on inherited property» (no. 12) and «Limitations in obtaining a capable and active Board of Directors» (no. 6).

It is not surprising that these problems should be the least familiar to students, for the following reasons:

- It is not common for parents to talk about inheritance with children who have not yet reached the age of 25. Furthermore, understanding the fiscal consequences of inheriting an FB requires specialized knowledge.
- Very few FBs have an efficient Board of Directors. In even fewer do both spouses sit on the Board, which might lead them to talk more about this governing body in front of other family members (Demb and Neubauer, 1992; Ward, 1991).

Finally, the problems that are «not well known» (N) are «Changes in the ownership structure» (no. 4) and the «Distribution of profits» (no. 5). This is not surprising either:

- Both of these problems have to do with the family's wealth and the money that the company makes. Parents tend not to talk about these subjects with their children while they are still young and, because they have not yet finished their education, lack work experience.
- Also, properly understanding these two problems requires a knowledge of economics and finance which students do not usually possess before starting the MBA program.

In order to analyze how many of the students know about many or only few of the problems facing FBs, the students have been classified into four groups according to the total number of problems that each one claimed to be aware of. The data appear in Table 6.

Table 6

Range of knowledge	Number of problems known	Number of students		
		National	Internat'l.	Total
Very wide	10 to 12	120 22%	61 24%	181 23%
Wide	7 to 9	161 30%	74 28%	235 29%
Average	4 to 6	123 23%	54 21%	177 22%
Low	0 to 3	134 25%	71 27%	205 26%
		538 100%	260 100%	798 100%

The data in this table show that a large proportion of the students claim to know about only a few of the problems of FBs. In fact, a significant number (26%) say that they know only three or fewer than three of the 12 problems listed. Furthermore, just under half (48% = 22% + 26%) declare that they know about fewer than 7 of the 12 problems. This is worth stressing, since the sample group is made up of people with university degrees and a certain amount of work experience, and in many cases from families that own an FB.

To further analyze the characteristics of these four student groups, various chi-square tests were carried out to find the relationship between each group and the following questions from the questionnaire:

- Is able to distinguish an FB from a «Non-Family Business» (NFB).
- The family has an FB.
- Has the opportunity to work in the family's FB.
- The intentions the student has with regard to joining his/her family's FB.

The chi-square tests show the following:

- There is a clear statistical dependency (chi-square 91.09 and probability 1.3 E-19) between the number of problems a student is familiar with and his/her response to the question of whether he/she is capable of distinguishing between an FB and an NFB (Exhibit 1).

64% of the students who *can* distinguish have a «very wide» or «wide» range of knowledge, whereas only 38% of those who *cannot* distinguish between the two types of company have the same range.

- There is a clear statistical dependency (chi-square 139.04 and probability 6 E-30) between the number of problems a student is familiar with and whether or not his/her family has an FB (Exhibit 2).

74% of the students whose family *does* own an FB have a «very wide» or «wide» range of knowledge, whereas only 38% of those who *do not* have an FB have the same range.

On the other hand, 27% of the students whose family has an FB know about half or less than half of the problems.

- The relationship between the number of problems that a student is familiar with and the opportunity to work in the family's FB is not statistically significant (Exhibit 3) (1).
- The relationship between the number of problems that a student is familiar with and the student's intention to work in his/her family's FB is also statistically insignificant (Exhibit 4) .

Given the data in Table 6 and the chi-square results, we can say that:

- Few students claim to have an extensive knowledge of the problems of FBs.
- The most extensive knowledge is held by those whose families have an FB.
- There is no relationship between the extent of the students' knowledge and their opportunities or intentions of working in their family's FB.

### ***Accuracy of knowledge***

According to most experts in the field of FBs (Aronoff and Ward, 1991), the 12 problems included in the questionnaire are among the most important that FBs face, precisely because they are FBs, at the point where, having survived what could be considered the development stage and having reached a certain size, they are approaching the first changeover between generations.

Therefore, it could be said that there is a relationship between students' perceptions of the importance of the problems and the «accuracy» of their knowledge of FBs, given that their knowledge of a problem is more accurate if they perceive it as very important, and less accurate if they perceive it as unimportant.

For each of the 12 problems, the questionnaire asks:

- How important do you think this problem is for FBs?  
Very/Quite/Not Very.

By assigning three points to the response «Very», two to «Quite», and one to «Not Very», and by adding up the points for each of the responses of each student in the entire sample group (798 students), we get the «Points» column in Table 7.

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(1) In light of the possible doubt as to whether students answer the questionnaire truthfully, the following points should be taken into consideration:

- Telling the truth cannot cause any damage. The questionnaires are anonymous.
- The questions about «intentions» are simple and leave open the possibility of any type of intention.
- The group of questions about «problems» asks for the students' perceptions.
- The questionnaire was administered when the students were most eager to begin the MBA program, and in a place (IESE) and time (15 minutes) that favored sincerity.

The figures in the column headed «Relative Index» show the ratio of the number of points given to each problem to the number of points given to the problem that is considered most important (1). The abbreviations indicating the level of importance are V (very important), I (important), N (not very important), and U (unimportant).

Table 7

Problem	Points	Relative Index	
1- Changes in strategy	410	84	National
	217	85	International
	687	85 (N)	<b>Total</b>
2- Growth and lack of managers	486	100	National
	255	100	International
	741	100 (V)	<b>Total</b>
3- Financing growth	475	98 (V)	National
	209	82 (N)	International
	684	92 (I)	<b>Total</b>
4- Changes in ownership structure	389	80	National
	203	80	International
	592	80 (N)	<b>Total</b>
5- Distribution of profits	504	104 (V)	National
	182	71 (U)	International
	686	93 (I)	<b>Total</b>
6- Board of Directors	336	69	National
	169	66	International
	505	68 (U)	<b>Total</b>
7- Changes in the responsibility structure	429	88	National
	210	82	International
	639	86 (N)	<b>Total</b>
8- Attract and develop family members	519	107 (V)	National
	201	79 (I)	International
	720	97 (V)	<b>Total</b>
9- Attract and keep non-family managers	451	93 (I)	National
	197	77 (N)	International
	648	87 (N)	<b>Total</b>
10- Succession in top management positions	384	79	National
	209	82	International
	593	80 (N)	<b>Total</b>
11- Management/ Shareholder relationship	376	77 (N)	National
	230	90 (I)	International
	606	82 (N)	<b>Total</b>
12- Taxes on inheritance	293	60	National
	146	57	International
	439	59 (U)	<b>Total</b>

(1) The «Relative Index» is the proportion, in percentage, between the «importance» points given to each problem and those given to the problem considered most important of all (Problem 2), which has been given an index of 100.

According to the data in the «Relative Index» column, the problems that the entire sample group, both the domestic and the international sections, understood correctly insofar as they valued them as very important (V) are «Growth and lack of managers» (no. 2) and «Attract and develop family members» (no. 8).

The problems that are understood less well, insofar as they are classified as being unimportant (U), are «Taxes on inheritance» (no. 12) and «Efficient Board of Directors» (no. 6). In the case of the «Taxes» problem, the explanation may be that, at the age of 25, the students feel that the consequences for the company of having to pay taxes when they inherit from their parents are very remote. And in the case of the «Board of Directors» problem, the students may not feel that a Board has an important role to play in the running of an FB, either because their own family's FB does not have a Board or, if it does, because the Board remains a mere formality.

When we compare the responses of the students in the domestic section with those of the students in the international section, the following points stand out:

- The students in the domestic section consider the «distribution of profits» (no. 5) as a much more important problem than the students in the international section.

In the case of the domestic group, this difference may be due to the fact that their families' FBs have more financial problems, either because they are younger companies or because of the social, political, and economic difficulties that Spanish FBs have been experiencing since 1974.

- The international students give less importance to the problems concerning the recruitment of managers, whether from within the family or from outside (nos. 8 and 9), «Limitations to growth» (no. 3), and «Management/ shareholder relations» (no. 11).

A possible explanation for these differences is that the foreign students' knowledge is derived from older FBs that have already been through generation transfers, that have more owners and higher profits, and that are bigger. These companies have already survived some of the first generation problems relating to growth, as well as those that occur during the transfer of the FB to the second generation. Most Spanish FBs have yet to meet these challenges.

In order to get a better understanding of the accuracy of the students' knowledge of FBs, the problems have been put into three groups according to which of the following three topics they relate to:

- *Management* of the company (Strategy: nos. 1 and 3; Organization: nos. 2, 7 and 9).
- *Governance* of the company (Nos. 4, 5, 6 and 11).
- *Succession* (Nos. 8, 10 and 12).

By assigning a weight to each student's responses, according to whether or not he/she knows about each of the problems included in the topic and to the importance that

he/she attributes to them (1), and by classifying each student in the corresponding quartile of «Accuracy of Knowledge» according to his/her score (2), we get the data in Table 8.

**Table 8**

Topic	Accuracy of knowledge				Total
	Low	Average	High	Very high	
Management of the company (nos. 1, 2, 3, 7 & 9)	531* 66%	215 27%	48 6%	4 1%	798 100%
Governance (nos. 4, 5, 6 & 11)	580 73%	166 21%	49 6%	3 0%	798 100%
Succession (nos. 8, 10 & 12)	612 77%	143 18%	35 4%	8 1%	798 100%

\* Number of students with a score corresponding to a low level of accuracy.

As can be seen, most students have a poor understanding of SUCCESSION in terms of the lesser importance they ascribe to problems related to this topic.

One possible reason for this outcome is the young age of the people who answered the questionnaire. They see the problem as belonging to a distant future; also, it is not easy for them to talk to their parents about the subject, especially when the parents are nowhere near the end of their active lives.

The lower degree of accuracy of knowledge in relation to the subject of GOVERNANCE OF THE COMPANY, as compared with that of MANAGEMENT OF THE COMPANY, simply reflects the normal state of affairs nowadays, among both the managers and the owners of companies. Only recently have they begun to learn to distinguish between «governance» and «management», and there are still very few who give «governance» the importance that it deserves.

Several chi-square tests have been carried out with the aim of obtaining a deeper understanding of the characteristics of these four student groups, seeking the relationship between each group and the following questions from the questionnaire:

(1) The weights assigned are:

	Weight
– Does not know the problem	0
– Knows the problem and thinks it is not very important	1
– Knows the problem and thinks it is quite important	2
– Knows the problem and thinks it is very important	3

(2) The maximum number of points that a student can give each topic is: 15 points (Topic 1), 12 points (Topic 2), 9 points (Topic 3). By breaking these point totals down into four quartiles, each student can be classified in one of the following four «accuracy of knowledge» groups:

- Low (low score)
- Average (medium-low score)
- High (medium-high score)
- Very high (high score)

- Is able to distinguish between an FB and an NFB.
- The family has an FB.
- Has the opportunity to work in the family's FB.
- The intentions the student has with regard to joining his/her family's FB.

The chi-square tests show that:

- There is a statistically significant relationship between accurate knowledge on the topic of «Company management» and the fact of being able to distinguish between an FB and an NFB (Exhibit 5: Chi-square 26.64 and probability  $7 \text{ E-}6$ ). The same is true of the topic «Company governance» (Exhibit 6: Chi-square 28.76 and probability  $2.52 \text{ E-}6$ ).
- However, the relationship is statistically insignificant when comparing «Is able to distinguish between an FB and an NFB» and an accurate understanding of the problems of «Succession». Some 80% of those who «cannot distinguish» and 73% of those who «can distinguish» have an inaccurate knowledge of the topic (Exhibit 7).
- There is a statistical dependency between an accurate understanding of «Company management» and the fact that the student's family has an FB (Exhibit 8: Chi-square 35.4 and probability  $9.92 \text{ E-}8$ ). This dependency is higher in the case of the topic of «Company governance» (Exhibit 9: Chi-square 51.99 and probability  $3 \text{ E-}11$ ).
- On the other hand, as before, the statistical dependency is not found in the case of «Succession», where 82% of the those whose families *do not* have an FB and 69% of those whose *do* have an FB have an inaccurate understanding of the topic (Exhibit 10).
- There is no statistically significant relationship between accuracy of knowledge and the opportunity to work in the family's own FB (Exhibits 11, 12, and 13).
- Nor is there any statistically significant relationship between accuracy of knowledge and the intention to work in the family's FB (Exhibits 14, 15, and 16).

Given the data in Table 8 and the chi-square tests, we can say that:

- Many students have an inaccurate knowledge of the problems associated with «Succession», independently of whether or not their family has an FB.
- Knowledge of the «Management» and «Governance» problems is more accurate among those students who are able to distinguish an FB from a NFB and whose families have an FB.
- There is no relationship between accuracy of knowledge and the students' opportunities and intentions of joining their family's FB.

#### 4. Final comments

The research carried out indicates that a very large group of university graduates from many different countries and recently embarked upon IESE's MBA program have a very **limited** knowledge of the problems of FBs.

Furthermore, the knowledge they have is **inaccurate** in the sense that their perception of the importance of these problems is mistaken.

Among the better known problems, in terms of the number of students that are aware of them and the importance that the students attribute to them, are those to do with the difficulties that FBs have in achieving **growth**, both as regards **bringing in managers** that can promote the company's **development** and as regards the **financing** of this **growth**.

Why is it that the limitations to the **evolution and growth** of FBs is the most widely known problem? Could it be that the type of person surveyed is particularly sensitive to the opportunities of joining a growing company, since relatively soon he/she will finish his/her postgraduate studies and start a career in business? Is it that these are the limitations that most of the students discover in their own family's FB? Is this what the majority of them find in the business media or hear from their circle of friends?

Among the least well known problems are those to do with **succession**, which is rather surprising from various points of view. First of all, from the point of view of parents who do not talk about the succession process with children who are enrolled in a good business school and are potential successors with sound qualifications. Much the same could be said of the people that completed the questionnaire, who seem to reject from the outset the job opportunities available in FBs, whether it be their own family's or not, since bringing new people into a family organization is generally, given the usual size of this type of company, an important stage in the process of succession among the management team.

As we have seen, the fact that a student's family has an FB undoubtedly contributes to his/her understanding of the problems. However, does this better understanding **motivate** them to join the FB? **Clearly not**, since, as we have seen, the intentions of those who completed the questionnaire with regard to joining their family's FB are unrelated to the range or accuracy of their knowledge of FBs.

Our research indicates that: **Working in one's own family's FB is not an attractive alternative**, at least not in the immediate future. In fact, out of every 100 people who have the possibility of joining their own family's FB:

- Very few (5) say that they **will** join.
- Many more (18) say that they **will not** join.
- The majority (54) are **undecided**.
- A large number (23) want to **work in another company first**, for one to five years.

It is very likely that many of these students' FBs are so small that they cannot «offer» them a job that matches the students' qualifications. Also, there may be other FBs that for various reasons have no real prospects of growth over the coming years.

Nevertheless, given the size of the sample and the usual distribution of sizes of FB (Gallo and García Pont, 1989), our sample must have included more than 100 FBs with sales



of between 500 million and 2.5 billion pesetas, and more than 25 FBs with sales totaling more than 2.5 billion pesetas. Given the difficulties in finding a job after graduation, which have been a major problem in Spain and other countries for many years, the FB ought to be seen as a **good career opportunity**. And yet the students in this sample do not seem to think so.

Why do FBs lack appeal? Is it that they have a bad image or are not very highly regarded? Is it that people do not know much about them, and the little that they do know makes them think that the FB will limit their career development? Do the members of the older generation convey a negative impression of working in an FB? Do students idealize other types of company, thinking that they offer clear growth opportunities and that, being «more professional», only the «best» will succeed? Do the attitudes of other family members suggest to students that they do not want them to join the FB? Do they feel completely free of any responsibility towards their family's FB?

Also, the fact that almost a quarter of the students whose families have an FB plan to gain experience in other companies before joining their own FB should not be seen in a wholly positive light. Although it can be interpreted as a sign of prudence on the part of the students and of the older generation, it can also be seen as the «easiest» way of not facing up to the problems of bringing new people into the FB, and even as a «wait and see» attitude.

In any case, this idea of acquiring experience before joining the FB creates extra difficulties because these people subsequently have to be «reclaimed» for the FB. And that is unlikely to be an easy task, since they obviously will not join until the issues discussed in the previous points have been resolved.

Nowadays, people like those in our sample group acquire knowledge about FBs basically through their relationships with their parents and other family members. There are few, if any, university classes that deal with this subject. Likewise, there are not many books available. And although the press gives more and more coverage of the topic, it does not always have the same educational purpose.

That is why it is so important that the members of the previous generation, with the help of the managers who are not family members, ensure that the next generation has a thorough knowledge of the FB. They must inform the younger generation in depth and in detail about the strategic and financial situation, introducing them to the work of the company's governing bodies and offering them the opportunity to talk to the members of these bodies about issues such as succession, even though succession may not be expected to become an issue for a long time to come or there are doubts about how to cope with it.

If the FB is not an attractive career choice for university graduates who have an aptitude for and skills in management, then solutions must be found to improve the negative points, take advantage of all the positive points, and get this across clearly, because without young managers no company has a future. □

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Exhibit 3

**Relationship: «Opportunity to work in FB» and «Range of knowledge»**

<i>OPPORTUNITY TO WORK</i>	<i>RANGE OF KNOWLEDGE</i>					x				y
	Low	Average	High	Very High						
No	11	31	29	26	97	3%	9%	9%	8%	29%
Yes	34	57	81	64	236	10%	17%	25%	19%	71%
	45	88	110	90	333	14%	26%	34%	27%	100%
Independent Theory	13	26	32	26		4%	8%	10%	8%	
	32	62	78	64		10%	19%	23%	19%	
(r-t) <sup>2</sup> /t	0.339	1.123	0.289	0.002		11%	32%	30%	27%	100%
	0.139	0.462	0.119	0.001		14%	24%	34%	28%	100%
Chi-square	2.4736									
Degrees freedom	3									
Prob.	0.04801									

Exhibit 4

**Relationship: «Intention of joining FB» and «Range of knowledge»**

<i>INTENTION OF JOINING</i>	<i>RANGE OF KNOWLEDGE</i>					x				y
	Low	Average	High	Very High						
No	3	3	24	13	43	1%	1%	10%	6%	18%
Undecided	8	30	46	43	127	3%	13%	19%	18%	53%
1-5 years	4	11	22	18	55	2%	5%	9%	8%	24%
Yes	1	3	3	4	11	0%	1%	1%	3%	5%
	16	47	95	78	236	6%	20%	39%	34%	100%
Independent Theory	3	9	17	14		1%	4%	7%	6%	
	9	25	51	42		4%	11%	21%	18%	
	4	11	22	18		2%	5%	9%	8%	
	1	2	4	4		0%	1%	2%	2%	
(r-t)^2/t	0.002	3.615	2.586	0.103		7%	7%	56%	30%	100%
	0.043	0.876	0.513	0.025		6%	24%	36%	34%	100%
	0.020	0.000	0.001	0.002		7%	20%	40%	33%	100%
	0.087	0.299	0.461	0.037		0%	19%	31%	50%	100%
Chi-square	8.67									
Degrees freedom	9									
Prob.	0.468									

Exhibit 5

**Relationship: «Can distinguish FB» and «Accuracy of knowledge about company management» (Problems 1, 2, 3, 7, 9)**

<i>CAN DISTINGUISH</i>	<i>ACCURACY OF KNOWLEDGE</i>					<i>x</i>				<i>y</i>
	Low	Average	High	Very High						
No	235	60	17	1	313	31%	8%	3%	0%	42%
Yes	253	152	33	0	438	34%	20%	4%	0%	58%
	488	212	50	1	751*	65%	28%	7%	0%	100%
Independence Theory	203	88	21	0		27%	12%	3%	0%	
	285	124	29	1		38%	16%	4%	0%	
(r-t) <sup>2</sup> /t	4.914	9.101	0.707	0.816		75%	19%	5%	0%	100%
	3.511	6.503	0.505	0.583		58%	35%	8%	0%	100%
Chi-square	26.64093									
Degrees freedom	3									
Prob.	7.00E-06									

Exhibit 6

**Relationship: «Can distinguish FB» and «Accuracy of knowledge about company governance» (Problems 4, 5, 6, 11)**

<i>CAN DISTINGUISH</i>	<i>ACCURACY OF KNOWLEDGE</i>									
	Low	Average	High	Very High		x	y			
No	217	65	26	5	313	29%	9%	3%	1%	42%
Yes	227	137	72	2	438	30%	18%	10%	0%	58%
	444	202	98	7	751*	59%	27%	13%	1%	100%
Independence Theory	185	84	41	3		25%	11%	5%	0%	
	259	118	57	4		34%	16%	8%	1%	
(r-t) <sup>2</sup> /t	5.517	4.374	5.395	1.487		69%	21%	8%	2%	100%
	3.942	3.126	3.855	1.062		52%	31%	16%	0%	100%
Chi-square	28.75724									
Degrees freedom	3									
Prob.	2.52E-06									

\*Only 751 of the 798 students answered the question «Can you distinguish between an FB and an NFB?»



## Exhibit 7

**Relationship: «Can distinguish FB» and «Accuracy of knowledge about company succession» (Problems 8, 10, 12)**

<i>CAN DISTINGUISH</i>	<i>ACCURACY OF KNOWLEDGE</i>					x				y
	Low	Average	High	Very High						
No	249	52	10	2	313	33%	7%	1%	0%	42%
Yes	317	93	24	4	438	42%	12%	3%	1%	58%
	566	145	34	6	751*	75%	19%	5%	1%	100%
Independent Theory	236	60	14	3		31%	8%	2%	0%	
	330	85	20	3		44%	11%	3%	0%	
(r-t) <sup>2</sup> /t	0.728	1.177	1.227	0.100		80%	17%	3%	0%	100%
	0.520	0.841	0.877	0.072		73%	21%	5%	1%	100%
Chi-square	5.54203									
Degrees freedom	3									
Prob.	1.36E-01									

\* Only 751 of the 798 students answered the question about «distinguishing an FB from an NFB».

Exhibit 8

**Relationship: «Family has and FB» and «Accuracy of knowledge about company management» (Problems 1, 2, 3, 7, 9)**

<i>HASAN</i> <i>FB</i>	<i>ACCURACY OF KNOWLEDGE</i>					<i>x</i>				<i>y</i>
	Low	Average	High	Very High						
No	347	95	23	0	465	43%	12%	3%	0%	58%
Yes	182	121	29	1	333	23%	15%	4%	0%	42%
	529	216	52	1	798	66%	27%	7%	0%	100%
Independent Theory	308	126	30	1		39%	16%	4%	0%	
	221	90	22	0		28%	11%	3%	0%	
(r-t) <sup>2</sup> /t	4.871	7.569	1.759	0.583		75%	20%	5%	0%	100%
	6.801	10.569	2.456	0.814		55%	36%	9%	0%	100%
Chi-square	35.42157									
Degrees freedom	3									
Prob.	9.92E-08									

Exhibit 9

**Relationship: «Family has an FB» and «Accuracy of knowledge about company governance» (Problems 4, 5, 6, 11)**

<i>HAS AN FB</i>	<i>ACCURACY OF KNOWLEDGE</i>									
	Low	Average	High	Very High		x	y			
No	331	88	45	1	465	41%	11%	6%	0%	58%
Yes	155	117	55	6	333	19%	15%	7%	1%	42%
	486	205	100	7	798	60%	26%	13%	1%	100%
Independent Theory	283	119	58	4		35%	15%	7%	1%	
	203	86	42	3		25%	11%	5%	0%	
(r-t) <sup>2</sup> /t	8.070	8.283	3.022	2.324		71%	19%	10%	0%	100%
	11.268	11.566	4.220	3.245		47%	35%	16%	2%	100%
Chi- square	51.99868									
Degrees freedom	3									
Prob.	3E - 11									

Exhibit 10

**Relationship: «Family has an FB» and «Accuracy of knowledge about company succession» (Problems 8, 10, 12)**

<i>HAS AN FB</i>	<i>ACCURACY OF KNOWLEDGE</i>					<i>x y</i>				
	Low	Avrage	High	Very High						
No	379	69	15	2	465	47%	9%	2%	0%	58%
Yes	229	79	21	4	333	28%	10%	3%	1%	42%
	608	148	36	6	798	75%	19%	5%	1%	100%
Independent Theory	354	86	21	3		44%	11%	3%	0%	
	254	62	15	3		32%	8%	2%	0%	
(r-t)^2/t	1.724	3.447	1.703	0.640		82%	15%	3%	0%	100%
	2.407	4.813	2.378	0.894		69%	24%	6%	1%	100%
Chi-square	18.00704									
Degrees freedom	3									
Prob.	4.38E-04									

Exhibit 11

**Relationship: «Opportunity to work in FB» and «Accuracy of knowledge about company management» (Problems 1, 2, 3, 7, 9)**

<i>OPPORTUNITY TO WORK</i>	<i>ACCURACY OF KNOWLEDGE</i>									
	Low	Average	High	Very High		x	y			
No	11	31	29	26	97	3%	9%	9%	8%	29%
Yes	34	57	81	64	236	10%	17%	24%	19%	71%
	45	88	110	90	333	14%	26%	33%	27%	100%
Independent Theory	13	26	32	26		4%	8%	10%	8%	
	32	62	78	64		10%	19%	23%	19%	
(r-t)^2/t	0.339	1.123	0.289	0.002		11%	32%	30%	27%	100%
	0.139	0.462	0.119	0.001		14%	24%	34%	27%	100%
Chi-square	2.473610571									
Degree freedom	3									
Prob.	0.48007913									

## Exhibit 12

**Relationship: «Opportunity to work in FB» and «Accuracy of knowledge about company governance» (Problems 4, 5, 6, 11)**

<i>OPPORTUNITY TO WORK</i>	<i>ACCURACY OF KNOWLEDGE</i>					x				y
	Low	Average	High	Very High						
No	55	30	12	0	97	17%	9%	4%	0%	30%
Yes	124	94	17	1	236	37%	28%	5%	0%	70%
	179	124	29	1	333	54%	37%	9%	0%	100%
Independent Theory	52	36	8	0		16%	11%	3%	0%	
	127	88	21	1		38%	26%	6%	0%	
(r-t)^2/t	0.157	1.037	1.494	0.291		57%	31%	12%	0%	100%
	0.064	0.426	0.614	0.120		53%	40%	7%	0%	100%
Chi-square	4.2035									
Degrees freedom	3									
Prob.	2.40E-01									

Exhibit 13

**Relationship: «Opportunity to work in the FB» and «Accuracy of knowledge about company succession» (Problems, 8, 10, 12)**

<i>OPPORTUNITY TO WORK</i>	<i>ACCURACY OF KNOWLEDGE</i>									
	Low	Average	High	Very High		x	y			
No	63	26	6	2	97	19%	8%	2%	1%	30%
Yes	165	56	14	1	236	50%	17%	4%	0%	70%
	228	82	20	3	333	68%	25%	6%	1%	100%
Independent Theory	66	24	6	1		20%	7%	2%	0%	
	162	58	14	2		49%	17%	4%	1%	
(r-t)^2/t	0.176	0.187	0.005	1.451		65%	27%	6%	2%	100%
	0.072	0.077	0.002	0.596		70%	24%	6%	0%	100%
Chi-square	2.5667									
Degrees freedom	3									
Prob.	4.63E-01									

Exhibit 14

**Relationship: «Intention of joining FB» and «Accuracy of knowledge about company management» (Problems 1, 2, 3, 7, 9)**

<i>INTENTION OF JOINING</i>	<i>ACCURACY OF KNOWLEDGE</i>					x				y
	Low	Average	High	Very High						
No	22	19	2	0	43	9%	8%	1%	0%	18%
Undecided	66	53	7	1	127	28%	22%	3%	0%	53%
1-5 years	27	24	4	0	55	11%	10%	2%	0%	23%
Yes	7	4	0	0	11	4%	2%	0%	0%	6%
	122	100	13	1	236	52%	42%	6%	0%	100%
Independent Theory	22	18	2	0		9%	8%	1%	0%	
	66	54	7	1		27%	22%	3%	0%	
	28	23	3	0		12%	10%	1%	0%	
	6	5	1	0		3%	3%	0%	0%	
(r-t)^2/t	0.002	0.033	0.057	0.182		51%	44%	5%	0%	100%
	0.002	0.012	0.000	0.396		53%	42%	5%	0%	100%
	0.072	0.021	0.311	0.233		49%	44%	7%	0%	100%
	0.303	0.094	0.606	0.047		67%	33%	0%	0%	100%
Chi-square	2.372252									
Degrees freedom	9									
Prob.	0.984123993									



Exhibit 15

**Relationship: «Intention of joining FB» and «Accuracy of knowledge about company governance» (Problems 4, 5, 6, 11)**

<i>INTENTION OF JOINING</i>	<i>ACCURACY OF KNOWLEDGE</i>					<i>x</i>				<i>y</i>
	Low	Average	High	Very High						
No	15	22	6	0	43	6%	9%	3%	0%	18%
Undecided	53	54	18	2	127	21%	23%	8%	1%	53%
1-5 years	31	19	4	1	55	13%	8%	2%	0%	23%
Yes	6	2	3	0	11	4%	1%	1%	0%	6%
	105	97	31	3	236	44%	41%	14%	1%	100%
Independent Theory	19	18	6	1		8%	7%	2%	0%	
	57	52	17	2		24%	22%	7%	1%	
	24	23	7	1		10%	10%	3%	0%	
	5	5	1	0		3%	2%	1%	0%	
(r-t)^2/t	0.892	1.059	0.022	0.547		35%	51%	14%	0%	100%
	0.217	0.062	0.104	0.092		41%	44%	14%	1%	100%
	1.742	0.575	1.439	0.129		56%	35%	7%	2%	100%
	0.250	1.406	1.674	0.140		69%	14%	17%	0%	100%
Chi-square	10.350883									
Degrees freedom	9									
Prob.	0.322832991									

Exhibit 16

**Relationship: «Intention of joining FB» and «Accuracy of knowledge about succession»  
(Problems 8, 10, 12)**

<i>INTENTION OF JOINING</i>	<i>ACCURACY OF KNOWLEDGE</i>									
	Low	Average	High	Very High		x	y			
No	24	17	2	0	43	10%	7%	1%	0%	18%
Undecided	82	34	7	4	127	34%	14%	3%	2%	53%
1-5 years	38	12	4	1	55	16%	5%	2%	0%	23%
Yes	9	1	0	1	11	4%	1%	0%	1%	6%
	153	64	13	6	236	64%	27%	6%	3%	100%
Independence Theory	28	12	2	1		12%	5%	1%	1%	
	82	34	7	3		34%	14%	3%	2%	
	36	15	3	1		15%	6%	1%	0%	
	7	3	1	0		4%	2%	0%	0%	
(r-t)^2/t	0.539	2.444	0.057	1.093		55%	40%	5%	0%	100%
	0.001	0.006	0.000	0.184		64%	27%	6%	3%	100%
	0.154	0.570	0.311	0.113		69%	22%	7%	2%	100%
	0.490	1.318	0.606	1.855		66%	17%	0%	17%	100%
Chi-square	9.742759912									
Degrees freedom	9									
Prob.	0.371708927									

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