

## Chapter 12

# The Family Company in Spain: Its Principal Activity, Its Human Capital, Its Challenge, Its Sustainability

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### **ABSTRACT**

*The objective and justification of the chapter focuses on the importance that family businesses in Spain have in the current business environment, which is characterized by great instability. Also in the center of focus is how these family businesses integrate family values with a sustainable business. Innovation, technological advances, market internationalization, quality requirements, and the differentiation of products and/or services, among others, have led to important reflections on how to organize companies, especially family businesses. Nowadays and as a result of the economic crisis, it has been possible to observe a growing creation of family businesses in Spain, which reflects a driving role of business activity in its capacity to undertake and contribute to innovation. Thus, the figures provided by the Institute of Family Business in 2016 show that 90% of Spanish companies are family businesses and contribute about 60% of Spanish GDP and represent 70% of jobs in the private sector as a whole.*

### **INTRODUCTION**

This work strives to analyse the family business by considering its human capital (that is, the people who work in the business) and combining that with the current need for developing sustainable companies (Stafford, Duncan, Danes, & Winter, 1999). The economic and social importance of family businesses cannot be denied. Currently between 50% and 80% of companies have a family nature and among the 500 largest companies, 40% are family-based (1). In Europe, it is estimated that 60% of companies, both small and large, employ between 40% and 50% of workers (EC, 2009). In most economies, a very high percentage of companies are micro-enterprises or SMEs, which explains why most of the family-owned enterprises also belong to this sector.

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Family businesses as a substantial part of the Spanish productive fabric, cannot be removed from the current tendency towards sustainability, through the implementation of ethical or social values, in achieving their economic objective, everything cannot be win-win (Antequera, González, 2005).

The first studies on the family business from an economic and psychological point of view begin in the decade of the 60s to differentiate it from the rest of the companies. It is in the 70's that analyses of their weaknesses and strengths began (Levison, 1971). Later, in the 1980s, practical studies on family enterprises were started, taking into account the experience gained up to that time (Lansberg, 1983). In Spain studies on family businesses have been developed in the last thirty years. The doctrine has concentrated above all on analysis and research, which has led to a greater knowledge of these enterprises themselves. The importance it has acquired in Spain is determined by the existence of the Family Business Section, within the Scientific Association of Economics and Business Management (ACEDE), which demonstrates the development of family business theme in Spain. The reality shows us the multidisciplinary nature of the literature on family business. It has dealt with different disciplines that analyse issues related to organization, management and human resources, corporate governance, finance or accounting, marketing, or any other aspect of a legal nature. Also, the Network of Chairs of Family Business was created, promoted and coordinated by the Institute of Family Business. In addition, specialized publications have emerged, such as *The Family Business Review*.

In family businesses, sociological concepts such as domestic family and business family are intermingled. The domestic and business phases are not the same but routes between them are difficult to conceptualize.

However, if we view the domestic family in a more anthropological sense, it would not be an exaggeration to say that the business family moves in the opposite direction, since its proposition is to continue emotionally and economically united beyond the founding generation. But in addition to the differentiating factor of intergenerational continuity, business families are characterized by the fact that this intergenerational continuity soon turns business families into a conglomerate of multiple families (Nogales, 2007).

For the European Union (EU) the family business was the subject of an important analysis by means of a Decree of the European Economic and Social Committee drawn up on 22 January 2015 in accordance with Article 29 (2) of its Rules of Procedure entitled "The family business in Europe as a source of renewed growth and better jobs" (2016/ C013/03), (OJEU of 15/01/2016). It states that "Family businesses form the backbone of many economies around the world and are developing very dynamically. They are a source of economic growth and employment and pay particular attention to conditions at the regional and local levels. The reasons for creating a family business are varied, although all have as common denominator a system of values that comes naturally, a willingness to dedicate and sacrifice and a sense of responsibility facing both the creators of the company and those who take the relay. Family businesses are more capable of going through difficult periods of recession and stagnation, and one of the main reasons for their longevity is the sense of personal responsibility for the company's image" (1.1). The European Economic and Social Committee (EESC) recognizes the unique value of family businesses and states that "the EU and the Member States must establish a framework within which entrepreneurs and family businesses can prosper and within which entrepreneurship can be rewarded". At the same time it calls on the European Commission to implement a strategy to promote best practices in the field of family businesses in the Member States (1.2).

Thus, for the European Union the main characteristics of family businesses are:

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