

# **Overview of Family Business Relevant Issues**

## **Country Fiche Spain**

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This study has been elaborated with reasonable care. The authors and the project co-ordinator do not, however, accept responsibility for printing errors and/or other imperfections and potential (consequential) damage resulting thereof.

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## 1 Introduction

This report is intended to provide a detailed overview of the situation of family businesses in Spain.

Generally speaking, it is possible to argue that family businesses are attracting an increasing attention in Spain, not only from the public authorities, but also from the own business world and the media. In this respect, family enterprises not only represent a very substantial share of the existing economic tissue, but they also have become one of the driving forces of the economy due to their high degree of innovation and entrepreneurial capacity.

Notwithstanding this, the fact that family businesses suffer from very specific difficulties (mainly linked with the difficulties in the “succession” phase and the subsequent survival of the enterprise) explains why this issue has become an important issue, especially since the early nineties after the Instituto de Empresa Familiar (Family Enterprise Institute) was set up (for further explanations of this Institute see section 5 of this report).

In this respect, current discussions about Spanish family businesses are particularly oriented towards favouring both their innovation and growth opportunities, as well as understanding the main areas where they require external support, especially as far as business transfers processes are concerned.

## 2 Understanding of “family businesses” in the national context

Generally speaking, it is possible to suggest that in Spain there is not a legal definition on the concept of ‘family business’ that may help to classify companies according to their ‘family’ nature.

In any case, it is worth stressing that the Spanish Ministry of Economy, through its dependant body DGPYME (Directorate General for SME Policy), has tried to give a definition of family business. Thus, a family business can be understood as “any enterprise in which an essential part of the company’s ownership belongs to one or several families, whose members intervene in a decisive way in the management and administration of the company” (DGPYME, 2003).

Also, some other institutions have tried to define family businesses. Thus, and just to give an example, the Regional Government of Valencia defines family business as those self-employed, societies where a physical person may have at least 50% of the society’s capital and is involved in its management and, finally, family groups with a participation of at least 20% of the society’s capital and one member of the family group is involved in the management of the company.

According to this definition, the main characteristics that define a family business include the following ones:

- The ownership of the enterprise is in the hands of one or several families. Therefore, the ownership is expected to be shared amongst more kinship groups the older the enterprise is (intergenerational transit).
- The family group participates in the governance and/or the management of the enterprise.
- Family businesses are characterised by a strong vocation of continuity and permanence in time, especially as far as the family’s ownership/management of the company is concerned.

It is important to stress that since mid-nineties onwards, the Spanish public authorities have developed a number of policy measures and pieces of legislation intended to facilitate several aspects of businesses in general and particularly of family businesses, especially as far as fiscal measures intended to facilitate the transfer of enterprises are concerned (these measures will be described in further detail in section 5 of this Spanish report).

These regulations are dispersed in several legal texts, so they are not properly systemised in just one legislation corpus. In any case, in all cases, the underlying definition of family business used by the Spanish legislator refers to those businesses where the ownership or the decision power are, fully or partially, in the hands of a group of persons who belong to the same family group.

It is worth stressing that the issue of defining a family business is a complicated one, as the concept of family businesses is a very heterogeneous one as it includes a large number of different possible situations (i.e. different legal status, different “complexity” of the business, different role of family members, different involvement of the family members in the management of the enterprise, different generations ruling the enterprise, etc). In this respect, it is often the case that family businesses are understood as small or very small enterprises usually involved in not very sophisticated business sectors (i.e. a restaurant, a grocery shop, etc). However, the ‘family’ nature of the business is independent of the size of the enterprise, so it is possible to currently find in Spain a relatively speaking large number of very large enterprises that are ‘family businesses’ (see point 3 of this national report for further information on this issue).

### 3 Importance of family businesses for the national economy

To start with, it is worth stressing that the largest share of enterprises operating in Spain can be regarded as family businesses.

Thus, and according to some estimations provided by the Instituto de Empresa Familiar, in Spain there are currently around 2.8 million enterprises (out of a total of 3.3 million enterprises in Spain), where these enterprises generate a 70% of the total Spanish GDP and employment for nearly 13.5 million people (around 75% of the total Spanish private employment) (Instituto de Empresa Familiar, 2007). There is no information on trend developments overtime on these figures, although information obtained from the Spanish Labour Force Survey shows that whereas in 1996 entrepreneurs (with or without salaried personnel) represented a 20.1% of the total Spanish working population, this percentage has reduced to 16.1% in the first quarter of 2008, where these figures show that the importance of this occupational group has been slightly reduced in the last 22 years.

The Instituto de Empresa Familiar also estimates that approximately a 65% of the Spanish family businesses are in the first generation, whereas 25%, 9% and 1% are in the second, third or fourth or more generations, respectively.

Interestingly also, the Instituto de Empresa Familiar also provides some socioeconomic data on those family businesses associated to this Instituto (usually very large and important family businesses in the Spanish economy). Thus, the 104 family businesses associated to the Instituto de Empresa Familiar represent a 15% of the total Spanish GDP, and they provide employment to more than 700 thousand people, where 60% of the associated enterprises have more than 1,000 employees. The sectoral distribution of these associated enterprises is the following one:

- Services → 9%
- Manufacturing → 11%
- Food and Beverage → 27%
- Construction → 16%
- Media → 7.5%
- Financial Institutions and Insurance → 5%
- HORECA → 7%

The comparison with the national average shows a larger presence of associated family businesses in the food and beverage sector (27% in comparison to the 0.9% that they represent in the total number of Spanish enterprises), in the financial and Insurance institutions (5% in comparison to the national average of 1.8%) or in the media sector (7.5% in comparison to the national average of 2.3%).

## 4 Characteristics of family businesses

To start with, it is difficult to identify the main specific characteristics of the Spanish national family businesses, as they form a very heterogeneous group in itself. Moreover, there is very limited information on this respect at Spanish level (information obtained from DGPYME, 2003).

In any case, family businesses are characterised by a close relationship between management and ownership or, say in other words, the life of the enterprise and the life of the family (Boletín Oficial de las Cortes Generales-Senado, 2001).

The available Spanish literature identifies a number of issues that make family businesses “different” from non-family businesses. In this respect, the most important element refers to the “vocation” of family businesses to remain in the hands of the “family” in future family generations, either in terms of the ownership or the management. Not surprisingly, around 85% of the Spanish family business owners hope that the ownership and management of the enterprise will remain in the hands of the own family members. Not surprisingly, it is often the case that first generation family businesses usually have self-employed legal status, whereas older family businesses (third, fourth generation) usually present a society-linked legal status (they are also more complex and usually present larger turnover volumes).

In addition to this “vocation of generational continuity”, there are a number of additional elements that can be regarded as specific of family businesses, that is to say, those elements derived from the relationships between partners (most likely members of the same family) and those elements derived from the relationship between the family and the enterprise. This situation may produce (and in fact it is often the case) important troubled situations due to the distribution of roles between the family members (i.e. father and director, mother and owner, daughter and employee, etc).

Both elements (vocation of generation continuity and the network of family-business relationships) explain why the main problem of any family business is usually the “succession” issue. This issue often requires a good and timely planning process, which has to include the basic rules that will regulate the family-business binomial.

Having in mind all these elements, family businesses (especially the larger and more complex ones) usually have some specific management bodies and documents in addition to the common elements in any business society. Examples include the Family Protocol (regulating the relationships of family members in relation to the enterprise) or the Family Council (a special body intended to facilitate the resolutions of those conflicts and problems that are not foreseen in the Family Protocol).

The available literature on the Spanish family businesses shows that there are five main typologies of family businesses in Spain, that is to say (ESADE & Family Business Knowledge, 2006),

- Captain (“Capitán” in Spanish) → They represent 24% of the existing family businesses in Spain. They are usually SMEs strongly controlled by founder, and have little complexity, both in terms of the family and the business, where the figure of the founder is central. The age average is 28 years old.

- Emperor (“Emperador” in Spanish) → They represent 19% of all cases. These enterprises have a large size, and both the family and the enterprise are very complex, where the figure of the founder is central. Their average age is 41 years old.
- Family Team (“Equipo Familiar” in Spanish) → They represent 22% of all the Spanish family businesses. The enterprise complexity is low, but the family complexity is high (“there is too much family for such a small enterprise”). Their average age is 45 years old.
- Structured (“Estructurado” in Spanish) → They represent 16% of all cases. The enterprise complexity is high, but the family complexity is relatively low. The average age is of 37 years old.
- Corporation (“Corporación” in Spanish) → They represent 18% of total Spanish family businesses. In this typology, both the enterprise and the family are very complex, so they are large enterprises run by a large and extended family. The average age of these enterprises is 61 years old.

Concerning the analysis of the main strengths and weaknesses of family businesses, and as far as the strengths are concerned, the Spanish literature identifies the following elements of strength (DGPYME, 2003; Instituto de Empresa Familiar, 2005):

- The fact that, in most cases, those persons who set up an enterprise have also a family may explain their interest in keeping and fostering the business, both the initial business promoter him/herself in the beginning and other family members in subsequent family generations. In other words, it is a matter of “vocation”, often linked with a long term vision that it is not usually the case in other enterprises.
- Derived from this “vocational” aspects, family businesses have a higher degree of compromise/motivation of the entrepreneur(s) with the business, as he/she is risking the patrimony, prestige and future of his/her family. Therefore, entrepreneurs (and often employees) are ready to work harder for the enterprise.
- Communication channels are usually fluid, informal and less bureaucratic than in other enterprises, as they are often linked with family relationships. These communication channels imply a higher and quicker capacity to take decisions.
- The fact that family businesses are characterised by a long-term vision may also explain that decisions are not conditioned by short term pressures. Also, this long-term compromise may redound in a better working environment, in the form of a higher loyalty of employees towards the enterprise and lower rotation and absenteeism rates amongst employees.
- Family businesses are also characterised by a higher degree of self-finance and self-investment of profits for financing the future growth of the enterprise. This also implies a more rigorous control of the expenses.

- Family businesses have a better market orientation, which implies both an specific marketing know-how that is transmitted from one generation to the other and a higher degree of connexion with the clients (especially with some of them), that is continued and accumulated over different generations.
- Family businesses are characterised by an important urge to progress in time as a result of a high motivation of the entrepreneurs (especially the founder of the enterprise) for success.
- Family businesses are usually characterised by a very strong own business culture, known and assumed by all family members and often employees themselves.

In addition to these elements of strength, family businesses also show several weaknesses that can be also summarised as follows (DGPYME, 2003; ESADE & Family Business Knowledge, 2006):

a) In the financial domain:

- Financial limitations, as it is usually the case that family businesses are initially set up via a bank loan, so further growth is financed via generated profits plus additional bank loans.
- Difficulties for the selling of own participations, as most family businesses do not quote in the stock exchange market, which results in added difficulties for financing future growth activities and incorporating external-to-the-family partners.
- It is usually the case that when the succession phase takes place, a number of family members may not desire to continue in the family enterprise, which requires that those family members remaining in the company may have to get into additional debt for buying these participations.

b) In the management domain:

- It is sometimes the case that the ownership of the enterprise and the professional capability to run a company are confused, so some non-sufficiently skilled family members may have managing responsibilities or important wage incoherence may take place between family and non family members.
- Linked to the previous point, the link between management and family may imply that existing conflicts within the family are transmitted to the enterprise itself. Other possible conflictive situations may be different business interests and points of view between shareholders/owners and, finally, difficult relationships/perspectives between external-to-the-family professional managers and family members.

c) Difficulties in the “succession” phase:

- The issue of the “succession” is one of the key and more critical problems of any family business, as it is shown that the largest part of family businesses never reach the third family generation (around only 10% of family businesses reach this point). Therefore, a good preparation of the “succession” issue is particularly important amongst family businesses especially for continuation purposes. Typical conflicts arising in this phase include resistance of the business founder for retiring and completing the “succession”, difficulties in the appointment of the successor/main CEO (i.e. conflicts between family members themselves for selecting the CEO or conflicts between the founder and the candidates) and, finally, difficulties between the founder and the successor as far as different management criteria are concerned (PriceWaterhouseCoopers, 2007).

Finally, the comparison between family and non-family businesses shows that Spanish family businesses have a strong orientation towards involvement in R&D activities (up to 79% of the family businesses with more than 200 employees are active in R&D activities, whereas this percentage is 74% amongst the similar non-family businesses), and they devote up to 2% of their total sales to R&D expenditures (1.74% amongst non-family businesses). Interestingly also, the Spanish non-family businesses have more market quota than family ones, although profit margins are very similar in both cases. Family businesses do not fully use their own potentialities as sometimes they have to subordinate their growth strategies to maintaining the family control over the business (a good solution for this situation could be their active participation in strategic alliances with other enterprises while, at the same time, control over the business is maintained by the family). (Galvé & Salas Fumás, 2003).

## 5 Institutional actors and their strategies, policies and initiatives

It is possible to argue that the Spanish public administration has become increasingly aware of the importance of the family business in the Spanish economy, in terms of their contribution to both employment and wealth generation, where this awareness process has taken place especially from the nineties onwards (DGPYME, 2003).

To start with, in September 2000 the Spanish Senate established a special Study Commission intended to analyse the main problems that the Spanish family businesses had to face, as well as the possible measures to be taken in the existing legal and tax legislation that may alleviate some of their distinctive problems. Subsequently in time, the Spanish Ministry of Economy established an experts' commission intended to develop the proposal suggested by the Spanish Senate.

In this respect, the most important public measures taken in these years have intended to foster Spanish family businesses and their survival and continuity in the hands of the family group. The most relevant measures can be summarised as follows:

- In 2003, the modification of the Law of Limited Responsibility Societies (Law 7/2003, of 1<sup>st</sup> April) ("Ley de Sociedades de Responsabilidad Limitada") has allowed several improvements. First, a new legal status called Limited Society New Enterprise ("Sociedad Limitada Nueva Empresa") has been introduced, and it is intended to facilitate several financing, accountability and tax issues amongst the newly created enterprises, including family businesses. Secondly, the new Law of Limited Responsibility Societies has allowed the possibility of non-voting stock, so some partners may have a stock in the company's ownership without any right to participate in the management of the company (measure intended to help the access to external sources of finance). Finally, and as a consequence of the Law of Limited Responsibility Societies, the Spanish Civil Code art 1056 was changed in 2003 as far as several elements of the hereditary partition ("partición hereditaria"), and basically with the aim of facilitating the hereditary transmission of the whole family business to just one or several inheritors, so the remaining inheritors may receive their corresponding part in cash to be paid in a period not longer than 5 years after the moment of the succession (see detailed information below).
- In 2007, a Royal Decree 171/2007 of 9th February was published intended to regulate the publicity for Family Protocols, where the Royal Decree qualifies the Government to establish the conditions and requisites of publicity for the Family Protocols. Interestingly, this Royal Decree establishes the minimum elements that have to be included in any Protocol (see detailed information below).
- In addition to these national measures, some regional governments with specific tax powers (i.e. Basque Country) have fully eliminated the Inheritance Tax and Gift Tax within their regional boundaries. Also, some regional governments (i.e. Murcia, La Rioja, Comunidad Valenciana, etc) have developed several grants for preparing Family Protocols and Succession Planning amongst Family Businesses (see detailed information below for the case of the Comunidad Valenciana region).

In addition to public policy activities, it is worth stressing that in Spain there is a relatively large network of different private and public institutions dealing with the issue of family businesses (Gimeno, 2007). Just to mention some of them, it is possible to identify the following ones:

- Instituto de la Empresa Familiar (IEF) (Family Enterprise Institute), created in 1992 and currently the main Family Business Association in Spain (see below for a full description of the activities of the Institute).
- There are regional FB Associations in all regions throughout Spain. Examples include AAEF (Asociación Andaluza de la Empresa Familiar) (<http://www.aaef.net/>), ADEGI (Asociación de Empresarios de Gipuzkoa) (<http://www.adegi.es/>), AMEF (Asociación Madrileña de la Empresa Familiar) (<http://www.efamiliar.org/>), ASCEF (Asociación Catalana de L'Empresa Familiar) (<http://www.ascef.com/>), IVEFA (Instituto Valenciano para el Estudio de la Empresa Familiar) (<http://www.ivefa.com/>), etc. These FB associations provide relevant information on the family business issues, especially for enterprises themselves, on a wide array of issues (legal and tax advice, main difficulties of family businesses, etc.)
- Many Chambers of Commerce are active in supporting small FBs. For instance, the Higher Council of Spanish Chamber of Commerce has developed a website where relevant information on family businesses can be found (definitions, legal and fiscal information, relevant quantitative and qualitative information on the issue, interesting links where additional information can be obtained, etc (see [https://www.camaras.org/publicado/empresa\\_familiar.html](https://www.camaras.org/publicado/empresa_familiar.html))
- Nexia Foundation (<http://www.fundacion-nexia.org/>), created, amongst others, by IEF and the Confederation of Chambers of Commerce. Nexia Foundation is a specialised consultancy firm advising family businesses in general.
- An association of Consultants in Family Business Management (“Asociación Española de Consultores y Académicos de la Empresa Familiar”, CAEF), association that encompasses a number of Spanish consultancy firms and academics specialised in the family business domain.

In addition to this, and in the academic domain, some of the most relevant universities and business schools include the following ones:

- Today a number of Chairs are available in several Public and private Universities that support the analysis, research and teaching of family businesses related issues. Examples include the University of Alicante ([http://www.ua.es/es/novedades/comunicados/2003/catedra\\_empresa\\_familiar.html](http://www.ua.es/es/novedades/comunicados/2003/catedra_empresa_familiar.html)), the University of Barcelona (<http://www.ub.edu/>), the University of Cádiz (<http://www2.uca.es/serv/catedra-empresa-familiar/index.php?seccion=presentacion>), the University of Castilla-La Mancha (<http://www.uclm.es/proyectos/cefamiliar/>), the University of Cordoba (<http://www.catedraprasa.com/>), the University of Jaen (<http://www.cefjaen.org/>), the University of Madrid (<http://www.ucm.es/>) or the University of Salamanca (<http://www.usal.es/>), the Universidad Carlos III ([http://www.uc3m.es/portal/page/portal/instituto\\_iniciativas\\_emp\\_empresa\\_familiar](http://www.uc3m.es/portal/page/portal/instituto_iniciativas_emp_empresa_familiar)) or the University of Deusto (<http://www.este.deusto.es/>).

- In addition to the existing public and private Universities, several Spanish Business Schools ha family business programmes and chairs on the issue that support the analysis, research and teaching of family businesses related-issues. Examples include IESE (who created a Chair in 1988) (see <http://www.iese.edu/es/RCC/EmpresaFamiliar/Home/CatedraEmpresaFamiliar-Home.asp>), the Instituto de Empresa (<http://www.ie.edu/IE/site/php/en/index.php>) or ESADE (<http://www.esade.edu/>), a business school located in Barcelona and which started its first Family Business course in 1987.

Next pages of this section 5 will try to provide more in-depth information on four specific actors/measures (one per each type) that can be regarded as particularly relevant in the Spanish case. These four selected case studies are:

- The Instituto de la Empresa Familiar (IEF), (Family Enterprise Institute)
- The existing regulation of the publicity for Family Protocols
- The Modification of the Law of Limited Responsibility Societies and, finally,
- The existing public measure of the regional government of Comunidad valenciana intended to help family businesses in preparing Family Protocols and Succession Planning activities

|  | Explanation   |
|--|---|
| <b>institutional features</b>              |   |
| name of the actor                          | Instituto de la Empresa Familiar (IEF), (Family Enterprise Institute)   |
| nature of the actor                        | <input type="checkbox"/> government<br><input type="checkbox"/> employers' organisation (lobby association)<br><input type="checkbox"/> support service provider (information, advice, education)<br><input type="checkbox"/> research centre<br><input checked="" type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies)<br><input type="checkbox"/> others, namely: |
| address                                    | Avda. Diagonal, 469 3º 2ª<br>08036 Barcelona  |
| contact person                             | Mr Jesús Casado Navarro-Rubio   |
| telephone                                  | +34 93 363 35 54  |
| web-page                                   | <a href="http://www.iefamiliar.com/">http://www.iefamiliar.com/</a>   |
| e-mail                                     | iefbcn@iefamiliar.com   |
| <b>content based features</b>              |   |
| name of the strategy/initiative/regulation | The Instituto de la Empresa Familiar is active in a wide array of different areas   |

|                               | Explanation   |
|-------------------------------|---|
| <b>content based features</b> |   |
| type                          | <input type="checkbox"/> fiscal regulation/tax law<br><input type="checkbox"/> labour law/social security law<br><input type="checkbox"/> company law<br><input checked="" type="checkbox"/> awareness raising measures<br><input checked="" type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar<br><input type="checkbox"/> education/training measures<br><input checked="" type="checkbox"/> information/advice<br><input type="checkbox"/> business transfer support instruments<br><input type="checkbox"/> financial support<br><input checked="" type="checkbox"/> marketing<br><input checked="" type="checkbox"/> networking<br><input checked="" type="checkbox"/> others, namely: Lobby activities on a very wide arrays of different topics of interest for Spanish family businesses. |
| objective                     | <p>The Family Enterprise Institute (IEF) is a non-profit making association which operates in Spain and is formed by a group of family businesses. Its members are all presidents, Chief Executives or board members of the companies they own.</p> <p>The main goals pursued by the Instituto de Empresa Familiar include the following ones:</p> <ul style="list-style-type: none"> <li>• To help the family business owner face the internal and external challenges posed in the management of his enterprise.</li> <li>• To contribute to improving the legal and fiscal environment of the family enterprise</li> <li>• To make the general public aware of the economic and social importance of family businesses.</li> <li>• To foster knowledge of family businesses at university and promote educational programmes relating to them</li> </ul>                                       |
| initiation                    | The Instituto de Empresa familiar was set up in 1992.   |

|  | Explanation  |
|--|--|
| <b>content based features</b>                  |  |
| contents/description of the initiative/measure | <p>Organisation of the Family Enterprise Institute:<br/>           Since its foundation in 1992, the Family Enterprise Institute has consolidated its position, and is now considered to be a competent and conscientious intermediary in everything that affects family businesses and their development, and has undergone constant evolution. IEF (Family Enterprise Institute) is the principal support of a national network of territorial associations of family businesses. The Institute has got a Board of Directors (formed by representatives of enterprise members), and a General Manager, involved in the daily running the Institute.</p> <p>Internal activities:</p> <ul style="list-style-type: none"> <li>• Organisation of seminars and conferences led by professionals with expertise in the specific issues that family businesses have to deal with.</li> <li>• A forum for exchanging experiences between business owners and providing information on professional services.</li> <li>• The Family Forum, an event to develop activities aimed at equipping the members of the next generation to fully assume their tasks as the future owners and/or directors of the family business.</li> </ul> <p>External activities:</p> <ul style="list-style-type: none"> <li>• Acting as a skilled intermediary with the Administration on business and economic policies.</li> <li>• Proposing legal and fiscal reforms to improve the environment of family enterprises</li> <li>• Spreading clear and precise information concerning Family Business as wide as possible</li> <li>• Bringing family businesses closer to the University.</li> </ul> |
| <b>user based features</b>                     |  |
| eligibility criteria/target group              | <p>The Family Enterprise Institute aims its activities at three target areas/groups:</p> <ul style="list-style-type: none"> <li>- Towards its members (members are those who pay a fee for this purpose).</li> <li>- Towards the Public Administration</li> <li>- Towards public opinion</li> </ul>  |

|                                      | Explanation  |
|--------------------------------------|--|
| <b>user based features</b>           |  |
| Promotion tools/information strategy | <p>Target groups are made aware of the activities of the Institute by the following tools:</p> <ul style="list-style-type: none"> <li>- Towards its members, helping them tackle the challenges in managing their enterprises: <ul style="list-style-type: none"> <li>• By means of seminars and conferences led by professionals with expertise in the specific problems of family-owned businesses.</li> <li>• Serving as a forum for family business owners to exchange experiences and providing information on professional services.</li> </ul> </li> <li>- Towards the Public Administration, acting as a skilled intermediary on business and economic policy matters, with the aim of proposing legal and fiscal reforms to improve the framework in which family businesses operate.</li> <li>- Towards public opinion, promoting the accumulation and dissemination of knowledge and information on family-owned businesses.</li> </ul> |
| source of funding                    | <ul style="list-style-type: none"> <li><input type="checkbox"/> EU-funds</li> <li><input type="checkbox"/> national funds (governments)</li> <li><input checked="" type="checkbox"/> membership fees</li> <li><input checked="" type="checkbox"/> others, namely: ad-hoc sources of finance that can be obtained from different sources (EU-funds, national public funds, etc)</li> </ul>  |
| <b>performance based features</b>    |  |
| evolution                            | <p>Since its foundation in 1992, the Family Enterprise Institute has consolidated its position, and is now considered to be a competent and conscientious intermediary in everything that affects family businesses and their development, and has undergone constant evolution before reaching the 100 companies that it encompasses today, all of which are leaders in the industry and service sectors, the equivalent of 1000 millions Euros.</p> <p>The Family Enterprise Institute has managed to make society aware of the importance of family businesses as a source of wealth and employment, since they are entities committed to their environment, a factor which reflects their social relevance.</p>  |

|  | Explanation   |
|--|---|
| <b>institutional features</b>                  |   |
| name of the actor                              | Ministerio de Justicia, Gobierno de España (Ministry of Justice, Spanish Government)  |
| nature of the actor                            | <input checked="" type="checkbox"/> government (national)<br><input type="checkbox"/> employers' organisation<br><input type="checkbox"/> support service provider (information, advice, education)<br><input type="checkbox"/> research centre<br><input type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies)<br><input type="checkbox"/> others, namely:  |
| address  | c/ San Bernardo 45<br>E- 28015 Madrid   |
| telephone                                      | +34 91 390 24 03  |
| web-page                                       | <a href="http://www.justicia.es/">http://www.justicia.es/</a>   |
| <b>content based features</b>                  |   |
| name of the strategy/initiative/regulation     | Regulación de la publicidad de los protocolos familiares (Regulation of the publicity for Family Protocols)   |
| type   | <input type="checkbox"/> fiscal regulation/tax law<br><input type="checkbox"/> labour law/social security law<br><input checked="" type="checkbox"/> company law<br><input type="checkbox"/> awareness raising measures<br><input checked="" type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar<br><input type="checkbox"/> education/training measures<br><input type="checkbox"/> information/advice<br><input type="checkbox"/> business transfer support instruments<br><input type="checkbox"/> financial support<br><input type="checkbox"/> marketing<br><input type="checkbox"/> networking<br><input type="checkbox"/> others, namely: |
| objective                                      | The main goal of this measure is to establish the conditions and requisites of publicity for the Family Protocols   |
| initiation                                     | The Royal Decree came into force last March 2007.   |
| contents/description of the initiative/measure | This Royal Decree establishes the minimum elements that have to be included in any Protocol.  |
| <b>user based features</b>                     |   |
| eligibility criteria/target group              | Any family business   |
| Promotion tools/information strategy           | Publication in the Official Gazette of the State ("Boletín Oficial del Estado")   |
| <b>performance based features</b>              |   |
| evolution                                      | Unfortunately enough, there is no public information on data about outcomes of the measure. In any case, it can be regarded as an useful measure.   |

|  | Explanation  |
|--|--|
| <b>institutional features</b>              |  |
| name of the actor                          | <b>Ministerio de Justicia, Gobierno de España (Ministry of Justice, Spanish Government)</b>  |
| nature of the actor                        | <input checked="" type="checkbox"/> government (national)<br><input type="checkbox"/> employers' organisation<br><input type="checkbox"/> support service provider (information, advice, education)<br><input type="checkbox"/> research centre<br><input type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies)<br><input type="checkbox"/> others, namely:   |
| address                                    | c/ San Bernardo 45<br>E- 28015 Madrid  |
| telephone                                  | +34 91 390 24 03   |
| web-page                                   | <a href="http://www.justicia.es/">http://www.justicia.es/</a>  |
| <b>content based features</b>              |  |
| name of the strategy/initiative/regulation | Modification of the Law of Limited Responsibility Societies (Law 7/2003, of 1 <sup>st</sup> April) ("Ley de Sociedades de Responsabilidad Limitada")   |
| type                                       | <input type="checkbox"/> fiscal regulation/tax law<br><input type="checkbox"/> labour law/social security law<br><input checked="" type="checkbox"/> company law<br><input type="checkbox"/> awareness raising measures<br><input type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar<br><input type="checkbox"/> education/training measures<br><input type="checkbox"/> information/advice<br><input type="checkbox"/> business transfer support instruments<br><input type="checkbox"/> financial support<br><input type="checkbox"/> marketing<br><input type="checkbox"/> networking<br><input type="checkbox"/> others, namely: |
| objective                                  | The modification of the Law of Limited Responsibility Societies (Law 7/2003, of 1 <sup>st</sup> April) ("Ley de Sociedades de Responsabilidad Limitada") has allowed several improvements (see point 12)   |
| initiation                                 | The Law came into force in April 2003.   |

|  | Explanation  |
|--|--|
| <b>content based features</b>                  |  |
| contents/description of the initiative/measure | <p>The improvements brought by the new Law can be summarised as follows:</p> <ul style="list-style-type: none"> <li>• First, a new legal status called Limited Society New Enterprise (“Sociedad Limitada Nueva Empresa”) has been introduced, and it is intended to facilitate several financing, accountability and tax issues amongst the newly created enterprises, including family businesses.</li> <li>• Secondly, the new Law of Limited Responsibility Societies has allowed the possibility of non-voting stock, so some partners may have a stock in the company’s ownership without any right to participate in the management of the company (measure intended to help the access to external sources of finance).</li> <li>• Finally, and as a consequence of the Law of Limited Responsibility Societies, the Spanish Civil Code art 1056 was changed in 2003 as far as several elements of the hereditary partition (“partición hereditaria”), and basically with the aim of facilitating the hereditary transmission of the whole family business to just one or several inheritors, so the remaining inheritors may receive their corresponding part in cash to be paid in a period not longer than 5 years after the moment of the succession.</li> </ul> |
| <b>user based features</b>                     |  |
| eligibility criteria/target group              | Any enterprise with a certain number of characteristics, including family businesses   |
| Promotion tools/information strategy           | Publication in the Official Gazette of the State (“Boletín Oficial del Estado”)  |
| <b>performance based features</b>              |  |
| evolution                                      | Unfortunately enough, there is no public information on data about outcomes of the measure. In any case, it can be regarded as an useful measure.  |

|  | Explanation   |
|--|---|
| <b>institutional features</b>                  |   |
| name of the actor                              | <b>Consellería de Economía Hacienda y Empleo de la Generalitat Valenciana (Department of Economy and Employment of the Regional Government of Valencia)</b>   |
| nature of the actor                            | <input checked="" type="checkbox"/> government (regional)<br><input type="checkbox"/> employers' organisation<br><input type="checkbox"/> support service provider (information, advice, education)<br><input type="checkbox"/> research centre<br><input type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies)<br><input type="checkbox"/> others, namely:  |
| address  | c Palau, 14 (Palau de L'Almirall)<br>46003 Valencia   |
| telephone                                      | +34 96 386 62 00  |
| web-page                                       | <a href="http://www.gva.es/economia/index.htm">http://www.gva.es/economia/index.htm</a>   |
| <b>content based features</b>                  |   |
| name of the strategy/initiative/regulation     | Ayudas a Empresas familiares para la Realización de Protocolos Familiares (Public Aids for Elaborating Family Protocols in Family Businesses)   |
| type   | <input type="checkbox"/> fiscal regulation/tax law<br><input type="checkbox"/> labour law/social security law<br><input type="checkbox"/> company law<br><input type="checkbox"/> awareness raising measures<br><input checked="" type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar<br><input type="checkbox"/> education/training measures<br><input type="checkbox"/> information/advice<br><input type="checkbox"/> business transfer support instruments<br><input checked="" type="checkbox"/> financial support<br><input type="checkbox"/> marketing<br><input type="checkbox"/> networking<br><input type="checkbox"/> others, namely: |
| objective                                      | The main goal of this measure is to support small and medium sized regional family enterprises for elaborating a family protocol, where this protocol should be used as a tool for facilitating the continuity of the business amongst several generations.   |
| initiation                                     | The initiative was initially started in 2005, and it has been extended since then on an annual basis.   |
| contents/description of the initiative/measure | The public aid is intended to support the external costs (consultants/advisers) incurred by regional small and medium sized family enterprises that elaborate a family protocol. The maximum amount of the aid will never be more than 8,000 euros. Interestingly, the measure establishes a very well detailed definition of what a family business is.  |

|                                      | Explanation  |
|--------------------------------------|--|
| <b>user based features</b>           |  |
| eligibility criteria/target group    | <p>Basically, the only criteria are two:</p> <ul style="list-style-type: none"> <li>• On the one hand, the enterprise has to be a SME.</li> <li>• On the other hand, it has to be a family business. For this purpose, family businesses are regarded as those self-employed, societies where a physical person may have at least 50% of the society's capital and is involved in its management and, finally, family groups with a participation of at least 20% of the society's capital and one member of the family group is involved in the management of the company.</li> </ul> |
| Promotion tools/information strategy | Publication in several business for a, publication in the Official Diary of the Regional Government  |
| source of funding                    | <input type="checkbox"/> EU-funds<br><input checked="" type="checkbox"/> national funds (governments)<br><input type="checkbox"/> membership fees<br><input type="checkbox"/> others, namely:  |
| costs for participants/members       | Beneficiaries have to cover by themselves a 50% of the costs of the total expense, and the remaining 50% with a maximum of 8,000 euros is covered by the Regional Government   |
| <b>performance based features</b>    |  |
| evolution                            | Unfortunately enough, there is no public information on data about outcomes of the measure. In any case, it can be regarded as an useful measure, as the initiative has been extended in subsequent years.   |

## 6 Future issues

Looking at the future, it seems to be clear that the current Spanish debate on family businesses will continue in the future. In fact, there is a wide recognition in Spain about the key role that these enterprises play within the national economy, in terms of their contribution to employment, turnover and the innovation of the Spanish economy.

In any case, one of the key issues for the future development of the Spanish family businesses is referred to the important problems of “succession” that are expected to be taken in the coming years, especially derived from the fact that a significant share of family business owners/managers are expected to be retired in the near future (there are no specific data on this issue, although the percentage is expected to be very important)

In any case, the available information shows that, despite the importance of the “succession” issue, up to 41% of the Spanish family businesses have not reflected sufficiently on this problem (ESADE & Family Business Knowledge, 2006). Therefore, more action is required in this domain in the future, both from the own business as well as from the public area.

Other more general challenges affecting the Spanish family businesses include the following ones:

- The maintenance of the entrepreneurial spirit in the following generations
- The incorporation of new members (either family or external-to-the-family members) that may lead new and prosperous family enterprise projects.
- The distribution of the generated wealth, not only amongst family members but also amongst employees
- The need to increase the training and education levels of next family members assuming management duties within family businesses.
- The maintenance of the family wealth, as well as the family compromises with the enterprises in the following generations.
- Finally, some social changes may impose additional challenges for family businesses. Thus, the current increase in non-married couples is imposing new legal challenges to family businesses, as it is not currently clear the role and duties/rights of these non-married members within the enterprise.

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- Asociación Catalana de la Empresa Familiar, ASCEF (<http://www.ascef.com>)
- Asociación de Empresarios de Gipuzkoa, ADEGI (<http://www.adegi.es/empresafamiliar/>). This Association has got a special site with detailed information on family businesses
- Asociación Madrileña de la Empresa Familiar, AMEF (<http://www.amef.org/>)
- Fundación Nexia para el desarrollo de la Familia Empresaria (<http://www.fundacion-nexia.org/>)
- Instituto de la Empresa Familiar (<http://www.iefamiliar.com/>)
- Microsoft ([www.microsoft.com](http://www.microsoft.com)). It has a special site with information on family businesses