The Family Business in Spain (2015)

INSTITUTO DE LA EMPRESA FAMILIAR

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Prologue

In recent years, the academic literature on an international scale has steadily gained interest in the study of family businesses and their differentiating characteristics, with some especially valuable contributions. It has done so, furthermore, in a particularly important way in the case of production in Spanish, to which the network of chairs in family business linked to the IEF has contributed decisively.

In this context, the study entitled *The Family Business in Spain* – drafted precisely by the network of Chairs in Family Business and the Study Service of the IEF – offers a complete snapshot of the situation of this type of business in Spain after the lengthy economic crisis that the Spanish economy has undergone.

I believe that it is a work of the utmost interest, at both an academic and an informational level. In this sense, it offers a vision, for the first time, of the importance of the family business in the Spanish economy as a whole and in each of the Autonomous Communities. It also enables us to discover how the economic crisis has altered the demographics, profitability and hiring decisions of this type of business (in comparison with non-family businesses).

The results are eloquent, especially in terms of employment, as the economic crisis brings new evidence regarding the commitment of family entrepreneurs to employment. Family businesses generate more jobs per million euros of turnover now than in 2007, and the distance between them and their non-family counterparts in this aspect has increased. There are, therefore, sufficient reasons to argue that these businesses are a social asset that should be preserved, or even to define them as "capitalism with a human face".

Besides this, it offers new methodological contributions academically, as a result of providing a response to a series of significant limitations due to the lack of official statistical data or of an agreed operational definition of family business, among other factors. In any event, it opens up future lines of research in a project that connects the academic world with the business world and that is founded with a vocation for continuity. A vocation that will allow us to look more deeply into the knowledge and needs of these decisive agents for our economy in successive updates to this report.

Javier Moll

President of the Instituto de la Empresa Familiar

Preface

We are beginning a new stage in which our macroeconomic environment is finally more positive. The hard work of the people and the contribution of entrepreneurs have been key in achieving this.

In 2015, economic growth will exceed 3%, one of the highest in the eurozone, and everything points to this dynamism continuing in 2016.

The expansion of the economy not only merits a positive evaluation due to its intensity but also because it displays traits of a higher quality than in previous cycles:

- Job creation and a reduction in unemployment came about from an early phase in the recovery.
- Economic growth is highly diversified, supported both on internal demand and on exports.
- The expansion of the economy is being accompanied by an increase in the foreign surplus.
- And finally, the public deficit continues to fall and the public debt is becoming stabilised as a percentage of GDP.

The capacity for anticipation and reaction of many of the businesses in Spain have enabled us to lay the foundations of the current economic recovery, the results of which are now evident.

In this sense, the family business has played, continues to play and will no doubt play a very important role. Spain cannot be understood without its family businesses.

This study, the result of the excellent work carried out by the Instituto de la Empresa Familiar, reveals to us the real contribution of family businesses to the economy.

It is a complete guide that will allow the reader to get to know the importance of the family business as a driving force of investment, generating wealth and, above all, employment, and as a decisive factor in the revitalisation of the "Spain brand".

The contributions to achieve this are many, including some that are intangible but necessary in a modern society. The access for women to managerial posts; the constant search for new markets; the contributions to employment, sometimes at the cost of losing some degree of competitiveness and profitability, mean that their evaluation in both economic and quantitative and qualitative terms is essential in the economic panorama.

Finally, I would like to highlight the fact that the meticulousness of the data contained in this study and the vision it gives of the economy around us make it an essential guide, not only to have extensive knowledge of it but also as an impetus for anyone wanting to undertake a family business project.

Rami Aboukhair
Country Head Santander Spain

Introduction

Since its creation in 1992, the Instituto de la Empresa Familiar (IEF) has become a prestigious independent forum for debate in the sphere of Spanish civil society. It has advocated the creation in Spain of a tax framework that favours the growth and transfer of family businesses. It has been a pioneer in the links between business and university, through the start-up of a network of chairs in family business, a unique experience internationally.

Together with the IEF's study service, the network of chairs has contributed to improving knowledge regarding the reality of this type of business in Spain. However, it has done so amid a setting of great difficulties, marked by the lack of secondary and official sources of statistical information on this type of business.

The essential difficulty in having accurate data on family businesses derives from the lack of identification as such in commercial regulations. In fact, in the Study Paper Report on the Family Business Problem approved by the Spanish Senate on 21 November 2001, Conclusion Four establishes *"recommending that family companies that comply with the requirements established to this effect may be identified by stating their nature in the registered trading name, adding the letter F to the indication of the company type in question or its abbreviation and, consequently, amending Article 403 of the Companies Registry Regulations and other concordant regulations".*

In light of the lack of this amendment, any rigorous study of family businesses requires working with business databases, establishing a methodology that enables us to approximate the identification of these businesses with the greatest degree of accuracy.

This shortcoming is not, however, specific to the Spanish case. For example, the *European Family Businesses* organisation (a benchmark European organisation that brings together the national organisations of a total of 13 countries, including the Instituto de la Empresa Familiar), has been advocating for years that the benchmark European statistical organisation, EUROSTAT, should include the family business in its statistical questionnaires.

Specifically, a recent European Parliament Recommendation (Report on Family Businesses in Europe, 2014/2210, INI, approved on 8 September 2015), recognises the importance of statistical data in developing an effective policy to support family businesses, requesting the European Commission to develop an adequate definition of family business, in cooperation with EUROSTAT, in order to conduct studies in this area. The Recommendation places the emphasis on concentrating on aspects of ownership and on the differences between family and non-family businesses. Specifically, Suggestion J establishes that *"a common European definition of 'family business' is necessary not only to improve the quality of statistical data collection on the sector's performance, but also as a means for policy-makers to better address the needs of family businesses and society".*

Generally speaking, most of the empirical studies in the academic literature on family businesses limit themselves only to listed companies. These studies offer a highly valuable series of conclusions in relation to listed family businesses – such as their greater relative profitability or their greater job stability in comparison with the other listed companies – but it should be remembered that these conclusions are derived from a very specific sample of businesses, the largest ones. Large businesses that are not necessarily representative of the business fabric as a whole.

In this context, the Instituto de la Empresa Familiar decided to foster a study that would enable us to approach more directly the reality of family businesses in Spain in general and in each of the Autonomous Communities in particular.

The methodology

This project had a dual focus. First, to establish a regular system for calculating the importance of the family business in the principal macroeconomic variables nationally and in each of the Autonomous Communities. And, second, complementary to the first, to identify the differentiating characteristics of family businesses, extending the knowledge of business and family management.

The first focus has been geared towards solving a series of problems that could be summarised in:

- The (already mentioned) difficulty of having secondary data sources in which family businesses are identified.
- The lack of agreement in the operational definition of what a family business is. To this effect, the scientific literature has a wide variety of operational definitions of family business, conditioned both by the research aims and by the availability and characteristics of the data handled.
- The non-existence of a generally accepted methodology for calculating the indicators that measure the importance of the family business.

In this respect, a working group was set up comprised of a number of Directors of Chairs on Family Business, which had undertaken local studies in this direction, and the IEF Study Service, which met for the first time in January 2014 with the aim of establishing a common methodology for conducting the study.

With regard to the data, the only available source of individualised data on businesses in Spain in which a mechanism for filtering and separating family and non-family businesses could be implemented autonomously was the SABI database (Iberian Balance Sheet Analysis System). SABI is a database of over 850,000 Spanish businesses, which allows searches to be run by different criteria, enabling detailed, statistical and comparative analyses of businesses and business groups to be conducted. Spanish researchers have been using SABI as a data source in which it was possible to identify and separate family and non-family businesses. Most of these projects have been focused on studying such questions as governance or financial aspects, not having been used to date for conducting a study at the macroeconomic level like the one we had proposed.

With regard to the definition, and having established the database to be used, the working group established an operational definition of family business, which made the procedures for identifying and separating Family Business and Non-Family Business viable. These procedures have been extraordinarily laborious and complex as they have entailed investigating one by one the ownership and management structures of the businesses.

Complementary to this, the methodological bases were established that have enabled us to conduct the exercise on a macroeconomic level, and a questionnaire was designed for use (by means of individual interview) with a selection of Spanish family businesses. This questionnaire has covered a wide set of institutional questions relating to the family business (general running of the business, influence of the family, corporate governance, succession management, etc.).

After agreeing on the wide variety of methodological questions necessary to be able to carry out these exercises, the Chairs in the Network then applied it to their respective Autonomous Communities.

The project

The report is organised in two large sections. The first section ("Macroeconomic analysis of family businesses in Spain") presents estimates of the contribution of the family business to the principle macroeconomic variables in 2013 (the last one for which official data are available).

To obtain them, as has been stated, we worked on the basis of a sample of more than 142,000 companies in the Iberian Balance Sheet Analysis System (SABI), the principal source of individualised data on businesses in Spain. Note that to date, most of the studies on the macroeconomic impact of the family business were based on information about listed businesses, so the fact of having such an extensive sample allows us to enlarge the perimeter of analysis, incorporating the non-listed ones.

The results obtained are eloquent: family businesses represent 90% of limited or limited liability companies and are responsible for 60% of the gross value added and 70% of the employment generated by the private sector as a whole. In other words, Spain has 1.1 million family businesses (out of the total of 1.25 million existing trading companies), which directly contribute an equivalent value added to the economy every year of 262 billion euros and around 7 million jobs (of the 460 billion euros and 10 million jobs generated by private sector trading companies). In fact, in terms of employment, family businesses contribute approximately double the jobs to the economy than non-family businesses. Family businesses are, therefore, the backbone of the Spanish economy.

It is important to point out that due to the lack of availability of data, these estimates do not include sole traders, a significant part of which could be considered to be family businesses. Neither do they include the indirect generation of value added and employment of these limited or limited liability companies through their chain of suppliers. This way, the results presented comprise, with all certainty, a lower figure than the real one.

It also offers details by Autonomous Community, sector and level of turnover of these estimates. The family business is distributed throughout the country, although not homogeneously. In fact, it is possible to identify three major groups of Autonomous Communities, depending on whether the intensity of the contribution of these businesses to the principal aggregates of the regional economy is higher, lower or similar to the Spanish average. The first group is comprised of nine Autonomous Communities (Andalusia, Castilla-La Mancha, Valencian Community, Extremadura, Galicia, Balearic Islands, Canary Islands, La Rioja and the Murcia Region) where contributions by family businesses to the private value added and employment of up to 20 percentage points higher than the national average are observed. The second group is comprised of five Autonomous Communities (Aragon, Asturias, Cantabria, Castilla y León and Catalonia) with values around the average. Finally, the least relative contribution of the family business is found in the Community of Madrid, the Basque Country and Navarre. This can be linked to their intense capacity to attract direct foreign investment.

Although the presence of the family business is majority in all sectors of the economy, it is especially notable in the primary, secondary (with the exception of activities relating to utilities), construction, retail and catering sectors. Similarly, it is observed that the family business is also majority in all the turnover deciles, although this is compatible with the existence an inverse relationship between business size and relative importance of the family business and it looks closely at the study of the economic and financial characteristics of family businesses in comparison with non-family businesses, and at the evolution undergone by these characteristics over time in the case of the businesses that are still active in 2013 and that have, therefore, survived the economic crisis.

Generally speaking, family businesses tend to be smaller in terms of income and more labour-intensive. Their commitment to employment is notable, keeping their workers as far as possible even at the cost of losing competitiveness and profitability.

At first sight, the mortality rate displayed by family businesses during the crisis is higher than that observed in non-family businesses. However, more detailed analysis of the data reveals the huge effort put in by family entrepreneurs to keep their business projects going during the economic crisis. If the productivity variable is taken into account, it is observed how the productivity level threshold below which non-family businesses have ceased trading has been 40% lower than the threshold for family businesses.

Family businesses have been able to survive with lower levels of productivity.

Similarly, the economic crisis brings new evidence regarding the commitment of family entrepreneurs to employment. Most of the employment losses are concentrated in businesses that have closed, as the family businesses that have continued to be active have increased the number of workers for every million euros earned (going from 4.7 employees per million euros of turnover in 2007 to 5.1 workers in 2013). This is not the case of non-family businesses, which have survived the economic crisis through job redundancies (going from 3.1 to 3 workers per million euros earned).

Besides this, the economic crisis has caused a strong fall in profitability, which both family and non-family businesses have experienced. A conclusion that is valid for any of the profitability indicators used (economic, financial and cash-flow by shareholder). In any event, generally speaking, a positive relationship between business size and profitability is observed. We should also highlight that the large family businesses (those that exceed the threshold of 50 workers) are able to obtain higher profitability than non-family businesses.

With regard to indebtedness, it is important to point out that family businesses display lower indebtedness ratios than non-family businesses, both at the start and the finish of the economic crisis. In fact, the indebtedness gap between one group of businesses and the other has widened significantly: in 2007 non-family businesses had ratios of 1.5 percentage points higher than family businesses, whereas in 2013, the difference grew to up to 20 points. These figures may be explained by the commitment of family business owners to keep financing the business with their own resources.

The second section of the report ("Snapshot of the Spanish family business") presents the answers that a representative sample of more than 500 family businesses have given to an extensive survey commissioned to the Sigma Dos public opinion polling firm. The fundamental aim has been to gather information about the profile of the business and the management of the business and family aspects.

Of the many characteristics that allow us to sketch the profile of the Spanish family business, its greater relative age should be highlighted. The longevity of family businesses is especially high (33 years), much higher than the average age of Spanish businesses as a whole (around 12 years, according to the Central Business Directory produced by the Spanish Office of National Statistics – INE).

With regard to corporate governance, two messages stand out: one positive and the other more critical of the management of the family aspect in businesses. Firstly, the study shows that family businesses are decisively committed to incorporating women in senior management. Some 73% of the management teams of family businesses include women, whereas other studies place the percentage of women managers at just 32% in Spanish businesses as a whole. Secondly, the analysis of the data suggests that the family aspects that affect the business are tackled in a relatively informal way. For example, although the greatest challenge for their survival identified by family businesses is succession, most of them (68%) have no plans in this respect. Similarly, the family protocol – a vital tool for regulating the running of the business and the family involvement – has only been formalised in writing by 9% of businesses.

The report also covers the analysis of the competitiveness and the internationalisation of this type of business. The main conclusion in this sense is the importance of size and business growth, which is associated with improvements in planning, innovation, internationalisation and business strategies.

The name of family business includes different types of business. Only recently has study begin of the heterogeneous nature of the family business. With the aim of contributing to the knowledge of this situation, a statistical analysis of conglomerates has been conducted that has enabled us to identify four types of family business according to the degree of professionalism and attention to the business and family aspects. The business aspect includes the strategic and innovative dynamism, while the family aspect translates into the proposals to manage the succession in the management and ownership of the business. A first type of family business are those where *the family aspect is predominant* duly attending the business aspect; these are precisely the most established businesses. A second type are the businesses where *the business aspect is predominant* without forgetting the family aspect; in this case, family matters are subordinate to business questions. The third type are businesses that display a *shortcoming in the business aspect,* in this sense, family needs appear to guide decision-making, even at the cost of business matters. Finally, the fourth type comprises businesses with a shortcoming in the family aspect; these are young businesses where the challenges required by the family aspect of the business have not yet been considered. These last two types of family business are the ones with potential threats to their continued survival, due to either business or family problems. In both cases, the means have to be put in place to ensure their future.

Finally, the fourth and final section shows the research community the methodology used to achieve the various results presented throughout the study.

Offering a study of this nature is an enormous satisfaction for every one of us who has been involved in it, but we are ambitious and we will not be complacent with the results obtained. From this very moment, the Network of Chairs, in coordination with the IEF, is going to start working on the analysis of the results achieved with the aim of extending and improving the study in the future. We aim to replicate this research regularly with a view to obtaining a dynamic vision of the evolution of our family businesses.

Acknowledgements

A study of this nature has only been possible thanks to the hard work and dedication of a very significant number of people and institutions, to all of whom we owe a debt of thanks.

Above all, to the Network of Chairs in Family Business, both their directors and all the lecturers who have taken part in producing this study. The Network of Chairs, which has become a genuine benchmark worldwide, has shown its ability and enthusiasm, carrying out pioneering work in the subject, which will no doubt be analysed internationally.

I would particularly like to highlight the hugely important work carried out by the working team responsible for establishing the common methodology, as well as the questionnaire that has been used in this study. It was practically nine months' work, with face-to-face meetings, exchange of documents, etc.

I must also give a very special thank you to the group that has taken on the final drafting of the document for their hard work and dedication.

With regard to the qualitative survey, I would like to recognise here the professionalism of the work carried out by Sigma Dos.

I should recognise the role played by the Regional Family Business Associations, which have enabled the lists of family businesses to be purged to the utmost, thanks to their in-depth knowledge of the local business fabric.

And, of course, I would like to thank Banco Santander once again for its support in this pioneering study and its constant show of trust in all the IEF's projects and activities.

Juan Corona
Director General of the Instituto de la Empresa Familiar

1. The Family Business in Spain (2015)

1.1. Macroeconomic analysis of family businesses in Spain

Family businesses (FB) are a very important part of the business population and, therefore, the economy of the different countries and regions. Estimates published by different international, national and regional institutions lend very significant importance to this type of business. However, these estimates were made some years ago. They need to be updated and more complete data sources and more sophisticated calculation methodologies used. Recent decades have seen the study of family businesses evolve rapidly and the time has now come to carry out a study that provides robust and adjusted estimates regarding family businesses in Spain. It is also advisable that these estimates be updated regularly to ensure that a true image of the importance of family businesses in the Spanish economy is obtained and their long-term evolution monitored.

Consequently, this initial part of the study presents an estimate of the importance of family businesses in Spain. Specifically, it sets out to ascertain what proportion of Spanish businesses have a family dimension and their contribution in terms of employment and gross value added (a benchmark variable with regard to GDP). Carrying out this type of study has to resolve a series of problems that can be summarised in the three following points:

1. Difficulty of having official and unofficial data sources about family businesses. There are no secondary data sources where family businesses, however their definition is understood, are identified. An estimate of the contribution made by family businesses to the economy and their long-term evolution is only feasible if relevant, thorough, systematic and regular data sources are available that can be used for this purpose. Generally speaking, this type of secondary data sources are practically non-existent in Spain[1].

2. Lack of agreement in the operational definition of what a family business is. Although there is reasonable consensus about what the general criteria that define family businesses are (control of ownership, family involvement and the desire for continuity), this consensus is diluted when it comes to securing an "operational" definition, or, in other words, of making the criteria operational, through objective means, which preside over the general definition of a family business. According to the official definition of the term Family Businesses agreed in 2008 in Brussels by the European Family Businesses Group (EFB) and in Milan by the Board of the Family Business Network (FBN), the two main international institutions representing family businesses, itis understood that:

"A firm, of any size, is a family business, if:

a) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.

1 The Survey on Business Strategies, carried out by the SEPI Foundation is the only public data source which, to our knowledge, identifies the FBs included in its sample. https://www.fundacionsepi.es/esee/sp/spresentacion.asp

b) The majority of decision-making rights are indirect or direct.

c) At least one representative of the family or kin is formally involved in the governance of the firm.

d) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25% of the decision-making rights mandated by their share capital."

In the third case, it is important to consider its fragmentation. The majority shareholder (or block of shareholders) very often have less than 50% of the decision-making rights. In these businesses, a shareholder (or block of shareholders) may exercise a decisive influence over fundamental aspects of corporate governance without having the majority of decision-making rights. Point (d) refers to businesses where the family does not have the majority of decision-making rights but where, through their shareholding, may exercise a decisive influence.

However, a qualitative argument should be added to these quantifiable variables to make business a truly family business. This variable lies in having generational continuity as a strategic objective of the business, based on the joint wishes of the founders and their successors to keep control of the ownership, governance and management of the business within the family. Despite this fairly well-accepted definition, it is true to say that the scientific literature has a wide variety of operational definitions of family business, conditioned both by the research aims and by the availability and characteristics of the data handled.

3. The non-existence of a generally accepted methodology for calculating the indicators that measure the importance of family businesses. Due basically to the difficulties described above, current estimates of the importance of family businesses on the economy of the countries or regions lack calculation methodologies that ensure the robustness of the estimates, their comparability and the possibility of their being repeated systematically over the long term so that the temporal evolution can be assessed.

This aim of this study is to provide solutions to the different problems that have been identified as described below:

1. With regard to the data, the main available source of individualised data on businesses in Spain in which a mechanism for filtering family and non-family businesses could be implemented is the SABI database (Iberian Balance Sheet Analysis System). SABI is an extended version of Amadeus for Spain and Portugal distributed by Bureau Van Dijk. It offers online information about more than 850,000 Spanish businesses obtained from the annual accounts registered by the businesses in the Companies Registers. The database allows searches to be made using specific criteria (name of the business, Tax Code, location, activity, financial details, stock market details, geographical location, shareholders, administrators, etc.) enabling detailed, statistical and comparative analyses of businesses and business groups to be carried out, with the sole exception of banks, which are included in another database (Bankscope).

2. Once a decision had been made regarding which database to use, a family business operational definition had to be established which, while respecting the official definition, made it possible to establish family business identification procedures. The procedure used took as its reference point previous work which used the same database (Arosa et al, 2010; Rojo et al., 2011; López and Diéguez, 2015, etc.), as well as knowledge of the region supplied by the network of Chairs in Family Business in Spain. Although the classification procedure is described in the methodology appendix, we can report here that a three-stage process was followed. During the first stage, businesses were selected that had a trading company structure – SL or SA, that were of minimum size – that had a turnover in excess of 2 million euros a year or that had a workforce of 10 or more employees in any of the three years between 2011 and 2013. Automatic classification criteria of family and non-family businesses were applied to this group of businesses. During the second stage, the

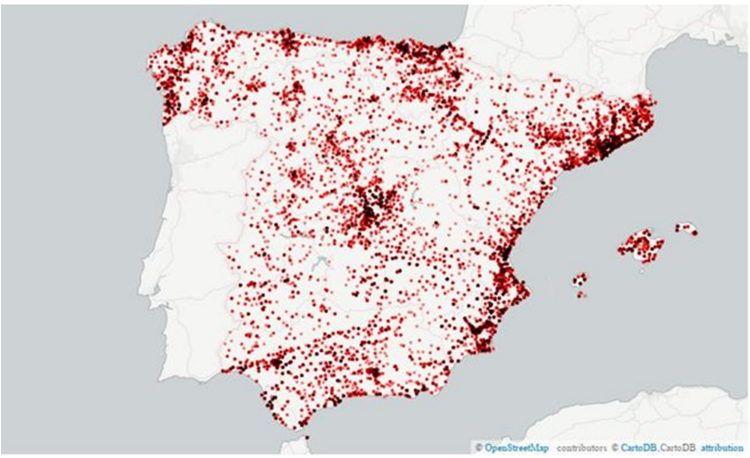
different Chairs in Family Business carried out a detailed review of this automatic classification. This process has enabled information from over 142,000 businesses to be analysed. Finally, during the third stage, estimates of the business tranches that had not been analysed in detail (micro-businesses) were carried out.

3. Once the family and non-family businesses had been separated, it was possible to calculate the different indicators regarding size, geographical distribution and importance on the main macroeconomic variables of family businesses, gross value added and the employment that they generate, their main economic and financial variables, etc. enabling them to be compared with other non-family businesses, as well as their temporal evolution during the period analysed.

Based on this process, the results permit us to estimate that around 90% of Spanish businesses can be considered family businesses, supplying about 60% of the Gross Value Added of the country and two-thirds of private employment. These percentages vary according to the size of the businesses, with the importance of family businesses significantly less in the very large businesses segment. The sample used, which is highly representative at regional level, shows that there are differences among the Autonomous Communities, with non-family businesses being the most important in communities such as the Basque Country, Madrid and Catalonia. In this sense, Map 1 offers an initial visual impression of the presence of family businesses in Spain. Looking beyond analysis by Autonomous Community, we see high concentrations of business fabric in just a few geographical locations: the Mediterranean Arc, the Community of Madrid, the Atlantic coast (especially in the Basque Country) and the Guadalquivir valley.

All these contributions enable us to state that the research described below is unprecedented because while existing microeconomic work is heterogeneous in its data sources and methodologies, economic-financial work normally focuses very closely on listed businesses. The following analysis constitutes the first macroeconomic study with businesses of all sizes.

MAP 1 GEOGRAPHICAL DISTRIBUTION OF THE BUSINESSES IN THE SAMPLE

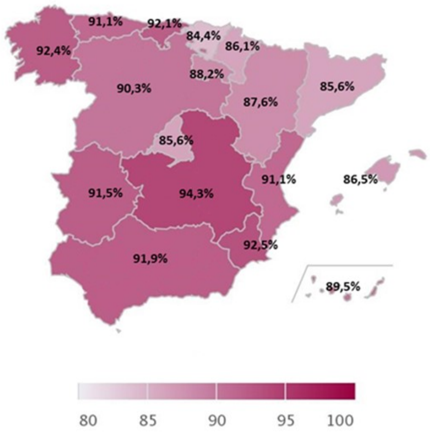


1.1.1 Demographics of family businesses in Spain

As we explained in the introduction, this section sets out the estimated number of family businesses and non-family businesses at national and Autonomous Community level. The breakdown of the calculation is indicated in the methodology chapter. However, we should point out that we always made these estimates with criteria of prudence, which is why generally speaking we may have underestimated the real number of family businesses. We should also mention that for this study we only worked with limited companies and limited liability companies, excluding, among others, businesses that are individuals (sole traders).

The results obtained mean that we can state that **family businesses account for 88.8 % of the businesses analysed in Spain, with a distribution by Autonomous Community** as shown in Map 2.

MAP 2. PERCENTAGE OF FAMILY BUSINESSES BY AUTONOMOUS COMMUNITY. 2013



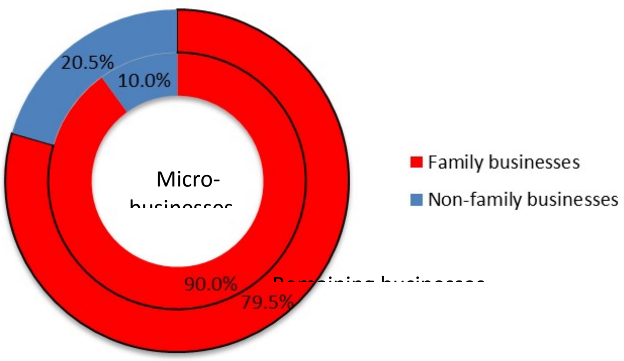
Values by Autonomous Community vary between 84.4% in the Basque Country and 94.3% in Castilla-La Mancha, probably due to the different sectoral structure and the size of the business population in the different zones. This piece of data is within the range of existing previous estimates for Spain and other countries. Table 1 shows the distribution of family businesses and non-family businesses by Autonomous Community in greater detail.

TABLE 1. DISTRIBUTION OF FAMILY AND NON-FAMILY BUSINESSES BY AUTONOMOUS COMMUNITY

	Family businesses	Non-family businesses	All	Percentage of family businesses
Andalusia	154,936	13,719	168,655	91.9%
Aragon	28,091	3,970	32,061	87.6%
Asturias	17,654	1,732	19,386	91.1%
Balearic Islands	29,946	4,682	34,628	86.5%
Valencian Community.	132,032	12,873	144,905	91.1%
Canary Islands	48,344	5,677	54,021	89.5%
Cantabria	5,322	455	5,777	92.1%
Castilla-La Mancha	43,477	2,612	46,089	94.3%
Castilla y Léon	27,279	2,941	30,220	90.3%
Catalonia	207,793	34,888	242,681	85.6%
Extremadura	16,069	1,500	17,569	91.5%
Galicia	62,900	5,178	68,078	92.4%
La Rioja	6,443	860	7,303	88.2%
Madrid	215,146	36,138	251,284	85.6%
Murcia	30,907	2,511	33,418	92.5%
Navarre	13,047	2,104	15,151	86.1%
Basque Country	42,557	7,858	50,415	84.4%
SPAIN	**1,084,617**	**137,024**	**1,221,641**	**88.8%**

To learn more about the distribution of family businesses, the percentage of family businesses by different size tranche has also been calculated. So, if we just differentiate micro-businesses[2] from the rest of the percentage of businesses, it differs by a little over 10 points. Graph 1 shows the percentage of family businesses in the micro-businesses segment (inner disk) and the rest of the businesses (outer disk).

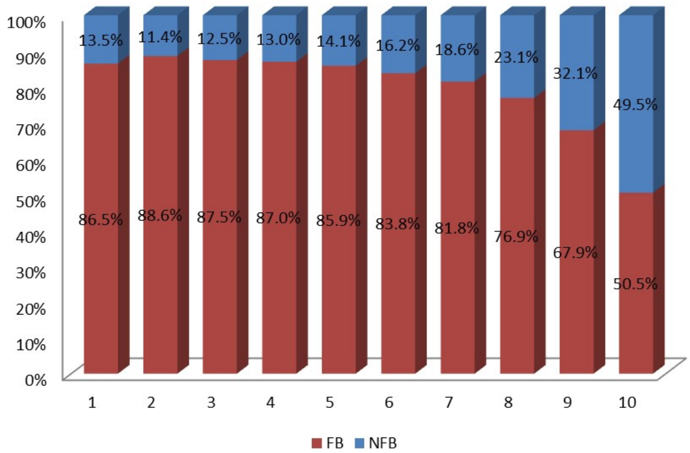
GRAPH 1. PERCENTAGE OF FAMILY BUSINESSES BY SIZE



By analysing the differences in the percentage of family businesses in greater detail, Graph 2 shows the variation in the percentage of family businesses in line with the increase in business size (excluding micro-businesses). To create the graph, the deciles that divide the population into ten equal parts were calculated (each part represents a tenth of the total number of businesses, arranged from smallest to largest according to their turnover). If this analysis were to be repeated using the number of employees as the size indicator, the results would be very similar.

2 In accordance with European criteria, businesses are considered micro-businesses if they had fewer than ten employees or2 2 million euros turnover between 2011 and 2013.

GRAPH 2. PERCENTAGE OF FAMILY AND NON-FAMILY BUSINESSES BY DECILE (TURNOVER)



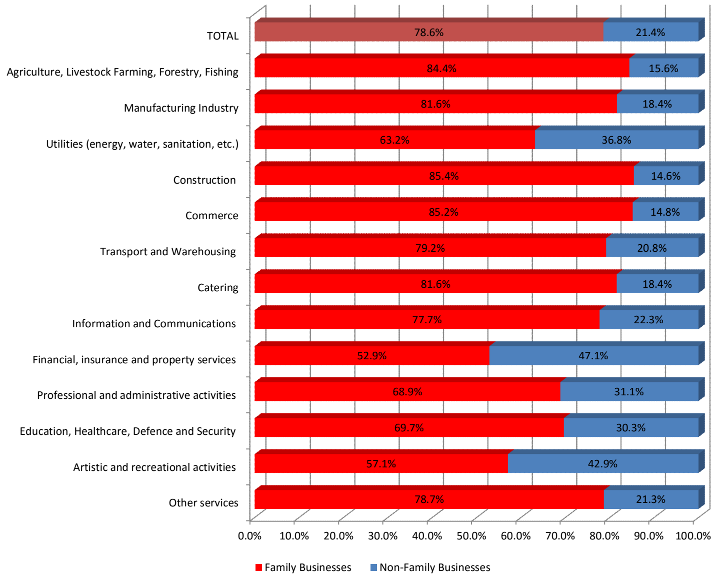
It has been demonstrated that the percentage of non-family businesses is increasing in line with business size. Despite this, in the large business tranche, family businesses account for over 50% of the total, in the second tranche they are at around 68% and are above 80% from the fourth onwards.

Consequently, although family businesses are not the majority among large businesses, their importance is growing rapidly as size reduces and they account for around 85% of the rest of the size segments. In fact, it is the first decile of businesses, the largest one, that presents an atypical distribution between family and non-family businesses, due essentially to the accumulation in this segment of some of the largest non-family Spanish listed companies, many of whose origins lie in the privatisations carried out in recent decades in the infrastructure, communications and energy sectors, as is the case of companies such as Telefónica, Repsol, Endesa, etc.

Finally, Graph 3 shows the distribution of family businesses by sector (excluding micro-businesses). A certain sectoral disparity in terms of importance between family and non-family businesses can be observed. In particular family businesses tend to dominate, with above-average importance, in the primary and industrial (with the exception of activities related to utilities), construction, trade and catering sectors.

In other sectors, the presence of family businesses is as is generally expected (e.g. transport and warehousing). However, its presence is significantly lower in leisure-related activities (at around 57% of the total) and financial, insurance and property services, where this type of business accounts for around 53% of the total. This information is interesting as it shows that family businesses predominate in the more traditional sectors, with a certain deficit in sectors relating to some services.

GRAPH 3. PERCENTAGE OF FAMILY AND NON-FAMILY BUSINESSES BY SECTOR



1.1.2. Economic contribution of family businesses

The updated estimate of the importance that family businesses have on the Spanish economy is one of the main objectives of this work. Once we have an approximation of the number of family and non-family businesses in Spain and their different Autonomous Communities, we can estimate the importance that they have on the main macroeconomic aggregates. The estimation process is described in the methodology chapter.

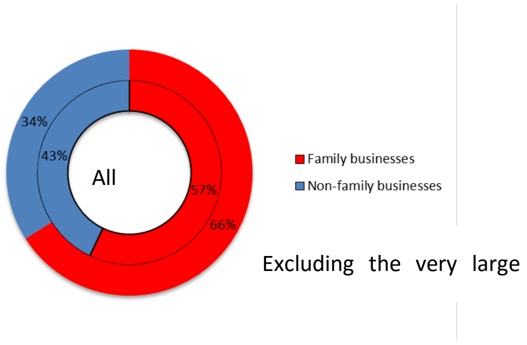
Using SABI and DIRCE (Central Business Directory) information, it has been possible to calculate the importance of family businesses on the Gross Value Added (GVA) and employment in its size segment and legal form at both national and Autonomous Community level. GVA measures the economic value generated by the businesses analysed and is obtained as the balance of the production account, in other words, from the difference between the production of goods and services and the intermediate consumption. Therefore, this is a benchmark measure for calculating Gross Domestic Product (GBP). All the data used refer to 2013.

The overall result for Spain indicates that **the GVA of family businesses represents 57.1% of the GVA generated by limited and limited liability companies in Spain in 2013.** As we mentioned when explaining the results of the number of family businesses compared with the total, all businesses with a legal form other than SA and SL companies and, in particular, all sole traders were left out of this calculation. However, as in the rest of the document, we have opted for a prudent estimate of the importance of family businesses. Finally, unlike the macroeconomic aggregate, our business GVA estimate does not include any estimates of the submerged economy.

A detailed analysis of the contribution of family and non-family businesses to the overall GVA highlights the great influence of large businesses. To do this, we conducted an estimate which was identical to the previous one, but we removed the 500 largest businesses in terms of their turnover from the population, whether they were family or non-family businesses, considering them to be extreme cases.

These 500 businesses account for only 04% of the businesses analysed, although they do have a large proportion of overall turnover, and excluding them would mean that the GVA provided by family businesses would rise to 66.0% (as opposed to 57.1%), with non-family businesses having the remaining 34.0% We can see that this change means an 8.9% rise in the importance of family businesses. The inner disk in Graph 4 shows GVA distribution considering all businesses, while the outer disk shows all businesses except for the 500 large corporations.

GRAPH 4. GVA CONTRIBUTED BY FAMILY BUSINESSES



The lower level of contribution to the GVA compared with the importance given the numbers of family businesses is due mainly to the fact that they are less important in the section containing large businesses, which are the ones who contribute most to private GVA. Specifically, family businesses with fewer than 10 workers and whose turnover is less than 2 million euros (micro-businesses) are responsible for 87% of the private GVA produced by all the companies of this size, and family businesses with more than 10 workers or whose turnover is more than 2 million euros are responsible for around 46% of the GVA generated in their size tranche.

Map 3 contains this estimate for the different Autonomous Communities, with greater detail set out in Table 2. The disparity of values is very high, with that of certain communities (Madrid or the Basque Country) very much affected by the allocation of the GVA of large companies whose headquarters are in these communities, as well as by the importance of direct foreign investment, with a heavy multinational presence, which also explains the lower level of importance of family businesses.

The importance of the GVA provided by family businesses in the Autonomous Community of Navarre is also significantly reduced as a consequence of the influence of its tax framework and the pull effect it has especially over foreign and non-family businesses. In Catalonia, despite also enjoying very important foreign investment and hosting the headquarters of large businesses, the value contributed by family businesses is around the national average, so highlighting the strength of Catalan family businesses.

MAP 3. GVA OF THE FAMILY BUSINESS 2013

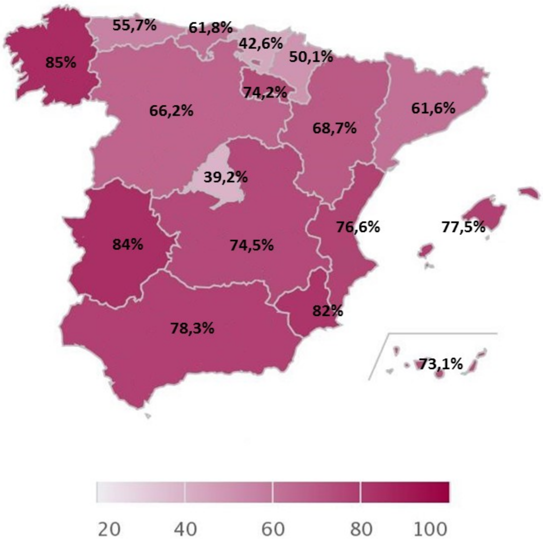


TABLE 2. GVA CONTRIBUTED BY FAMILY AND NON-FAMILY BUSINESSES BY AUTONOMOUS COMMUNITY

	Family Businesses Total GVA	Non-Family Businesses Total GVA	Total GVA	Perc.
Andalusia	25,605,678	7,098,430	**32,704,108**	**78.3%**
Aragon	6,699,695	3,045,321	**9,745,016**	**68.7%**
Asturias	4,435,957	3,529,935	**7,965,892**	**55.7%**
Balearic Islands	8,857,324	2,568,794	**11,426,118**	**77.5%**
Valencian Community.	28,137,283	8,612,229	**36,749,512**	**76.6%**
Canary Islands	9,456,639	3,482,854	**12,939,493**	**73.1%**
Cantabria	1,617,812	1,001,088	**2,618,900**	**61.8%**
Castilla-La Mancha	5,713,616	1,950,764	**7,664,380**	**74.5%**
Castilla y Léon	6,873,066	3,505,084	**10,378,150**	**66.2%**
Catalonia	56,025,695	34,980,875	**91,006,570**	**61.6%**
Extremadura	2,467,187	470,766	**2,937,952**	**84.0%**
Galicia	17,851,890	3,140,886	**20,992,776**	**85.0%**
La Rioja	1,521,998	528,068	**2,050,066**	**74.2%**
Madrid	65,082,340	100,992,132	**166,074,472**	**39.2%**
Murcia	6,072,732	1,332,924	**7,405,657**	**82.0%**
Navarre	3,290,553	3,274,400	**6,564,953**	**50.1%**
Basque Country	12,925,506	17,449,717	**30,375,223**	**42.6%**
SPAIN	**262,461,604**	**197,158,425**	**459,620,029**	**57.1%**

1.1.3 Contribution of family businesses to employment

In terms of employment, the overall result for Spain indicates that **employment created by family businesses represents 66.7% of employment created by limited and limited liability companies in Spain in 2013.** As in the case of GVA, we need to remember that in our calculations all businesses with a legal form other than SA and SL (limited and limited liability companies) have not been included, and, in particular, all sole traders. Rather than the importance of family businesses in terms of GVA, this result can be explained by the greater intensity of labour in family businesses. Map 4 and Table 3 contain the employment percentage due to family businesses in the different communities.

MAP 4. EMPLOYMENT GENERATED BY THE FAMILY BUSINESS 2013

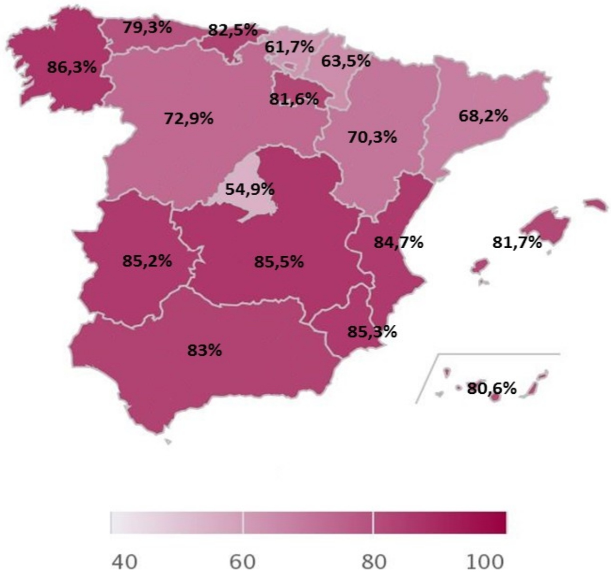


TABLE 3: EMPLOYMENT GENERATED BY FAMILY AND NON-FAMILY BUSINESSES BY AUTONOMOUS COMMUNITY

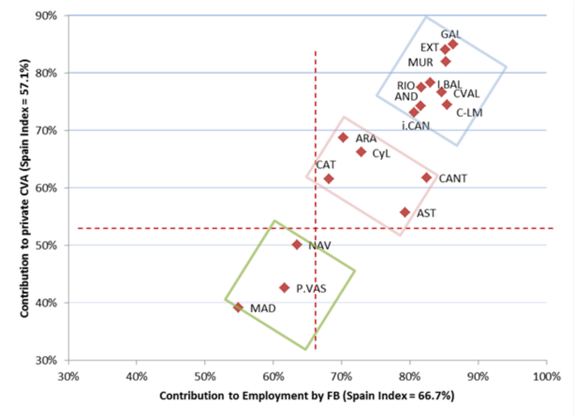
	Family Businesses Total Employment	Non-Family Businesses Total Employment	Total Employment	% Family Businesses
Andalusia	758,655	155,027	**913,682**	**83.0%**
Aragon	164,914	69,664	**234,579**	**70.3%**
Asturias	118,289	30,804	**149,093**	**79.3%**
Balearic Islands	188,523	42,138	**230,661**	**81.7%**
Valencian Community.	755,698	136,860	**892,558**	**84.7%**
Canary Islands	266,576	63,975	**330,551**	**80.6%**
Cantabria	46,053	9,780	**55,833**	**82.5%**
Castilla-La Mancha	203,443	34,474	**237,917**	**85.5%**
Castilla y Léon	183,703	68,306	**252,009**	**72.9%**
Catalonia	1,240,172	579,379	**1,819,550**	**68.2%**
Extremadura	82,321	14,355	**96,675**	**85.2%**
Galicia	394,083	62,604	**456,687**	**86.3%**
La Rioja	40,160	9,039	**49,199**	**81.6%**
Madrid	1,578,057	1,294,074	**2,872,131**	**54.9%**
Murcia	192,350	33,201	**225,551**	**85.3%**
Navarre	82,319	47,370	**129,688**	**63.5%**
Basque Country	299,164	185,460	**484,624**	**61.7%**
SPAIN	**6,577,510**	**3,277,803**	**9,855,312**	**66.7%**

Graph 5 compares the contribution to private GVA and private employment by family businesses in the Autonomous Communities with regard to the Spanish average. Three large groups of communities can be identified. On the one hand, Madrid, the Basque Country and Navarre, where family businesses appear to be less important that in the rest of Spain in both variables (GVA and employment). Previous paragraphs have provided different reasons for this reduced proportion of family businesses (importance of foreign investment, tax framework, etc.). For example, Madrid, Catalonia and the Basque Country received the most foreign investment between 1993 and 2015 (with €24,140, €6,643 and €4,513 per inhabitant, respectively, compared with an average of €1,630 in the other autonomous communities, according to figures from the Spanish Ministry of Economy and Competitiveness).

A second group of Autonomous Communities are close to the Spanish average in at least one of the two variables. This group comprises Catalonia, Aragon, Castilla y León, Asturias and Cantabria. Once again, we should make a special mention of Catalonia, which, although it receives a significant amount of foreign investment (together with Madrid and the Basque Country), maintains very important levels of family businesses, enabling it reach values similar to the Spanish average.

Finally, a third group that contains the other Autonomous Communities where family businesses account for the majority of the business fabric, contributing over 70% of GVA and 80% of employment, at least 10 points above the Spanish average values.

GRAPH 5. CONTRIBUTION OF THE FAMILY BUSINESS TO THE GVA AND TO PRIVATE EMPLOYMENT BY AUTONOMOUS COMMUNITY



1.2. Economic and financial analysis of the family business (2007-2013)

Now that the main demographic magnitudes of family and non-family businesses in Spain, and their participation in the Spanish economy and in the different Autonomous Communities have been described, this chapter takes an in-depth look at their principal economic and financial characteristics. The aim is to discover what these variables are like in comparison with those of non-family businesses, as well as their evolution over time, especially the years dominated by the last economic crisis (specifically, the period 2007-2013 has undergone analysis). As far as possible, these analyses are disaggregated by Autonomous Community.

This chapter does not try to offer a detailed analysis of the wide ranging economic and financial variables of Spanish family and non-family businesses, which would require a complex analysis according to the different sectors, sizes, etc. This type of analysis would exceed the objectives of this report. It only offers relevant information to help with understanding certain differences between both types of businesses concerning areas such as activity, employment, economic profitability, financial profitability and indebtedness.

Not only does the analysis in this chapter try to offer an up-to-date snapshot of the economic and financial aspects, but also a comparison with the situation of some years ago, given the special economic situation that Spanish businesses have experienced in recent years. To do this, we have set 2007 as the starting point for our analysis, the year right before the beginning of the deep economic crisis that appears to be coming to an end. Consequently, the figures analysed will refer to the period 2007-2013.

Finally, given the type of analysis to be carried out, we have worked with all the businesses except for the micro-businesses, about which no individual information is available. Consequently, all the information used in this chapter refers to the sub-sample of businesses that meet the following conditions: They are limited and limited liability companies (SA and SL) with at least 10 employees or a turnover of 2 million euros in any of the years between 2007 and 2013. As described in the methodology chapter, we worked with a total of 118,943 businesses, of which 79.52% (94,585 businesses) are family-run and the remaining 20.48% (24,358 businesses) are non-family businesses.

Similarly, as this sample only includes businesses that survived the 2007-2013 period, an additional estimate was carried out regarding the mortality/survival of family and non-family businesses during these years. To do this, the same automated criteria were used to analyse and classify existing businesses in 2007 which disappeared after that date.

The results obtained revealed that family businesses have tried to maintain employment despite the deterioration of their income, as a consequence of the deep economic crisis that they experienced. In fact, most of the employment lost was observed to have been from businesses which had to close during the 2007-2013 period. This commitment was also revealed through increased deterioration of family businesses' profitability compared with that of non-family businesses. However, the results show that large family businesses (with over 50 employees) are more profitable than non-family businesses. Finally, family businesses were observed to have less indebtedness, which rose by a lesser proportion than non-family businesses, demonstrating greater financial prudence and a greater commitment from their shareholders.

The analysis will start by estimating the business survival rate to give an idea of the demographic evolution of family and non-family businesses. This information will then be used to study the main indicators of the activity of the businesses in existence during the period: turnover, employment and productivity. The economic profitability will then be analysed, culminating in a description of a series of financial magnitudes, such as financial profitability, cash-flow for shareholders and the ratio of indebtedness. All analyses were carried out considering different size strata in turn, given the effect that this aspect has on all of them.

1.2.1. The survival of family businesses during the crisis

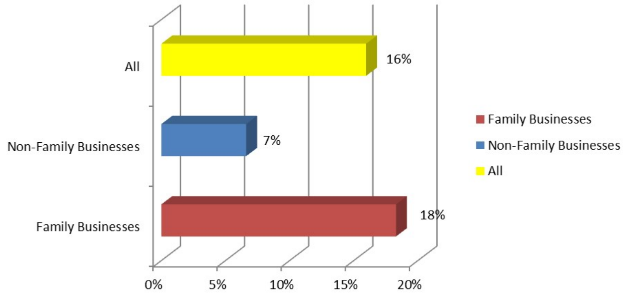
The first result that we should highlight is that the mortality rate was higher in family businesses than in non-family business, as shown in Table 4.

TABLE 4. MORTALITY OF FAMILY AND NON-FAMILY BUSINESSES (2007-2013)

	Active in 2007	Not active in 2013	% of businesses that disappear
Family businesses	94,384	17,268	18.3%
Non-family businesses	23,491	1,554	6.6%
All	**117,875**	**18,822**	**100.0%**

Almost 92% of the businesses that we lost during the crisis were family businesses. This percentage is slightly higher than the distribution of the population between family and non-family businesses for the size stratum (80/20 ratio between family and non-family businesses), which is not far removed from what would be expected if mortality were distributed randomly. As Graph 6 shows, the mortality rate of family businesses rises to 18%, almost triple that of non-family businesses.

GRAPH 6. MORTALITY OF FAMILY AND NON-FAMILY BUSINESSES (2007-2013)

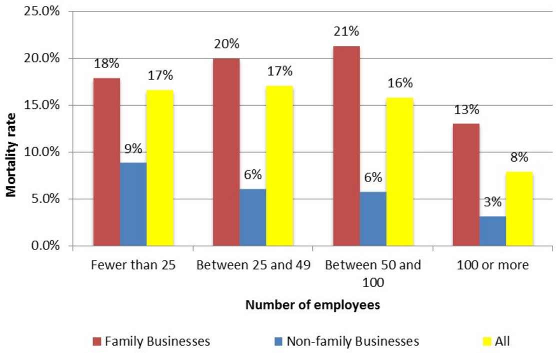


It should be said that these values are below those provided by statistical sources such as DIRCE (Central Business Directory) or EUROSTAT, but in any event they demonstrate that family businesses have experienced lower survival rates than non-family businesses.

One possible explanation for higher mortality rates among family businesses may lie in their smaller relative size, revealed in the previous chapter. It is therefore interesting to observe the different mortality rates by size segment.

Graph 7 shows a decreasing relationship between business size and mortality rate for non-family businesses. However, for family businesses a drop in mortality rates was only observed when the stratum of businesses with 100 or more employees was reached. Consequently, it does not appear that being smaller explains the higher mortality rates in the case of family businesses, but it appears to be due to other reasons (sectoral, difficulties with transfer, organisational, etc.).

GRAPH 7. MORTALITY RATE BY SIZE TRANCHE



Having described the survival and mortality of family and non-family businesses during the 2007-2013 period, we will now analyse those that have survived in greater detail to obtain an up-to-date vision of the economic and financial situation of this type of business.

1.2.2. Activity indicators

We will start by analysing two basic indicators of the businesses' activity: operating income, (turnover) and the number of workers. Table 5[3] shows the sum of operating income (in millions of euros) and total employment (in thousands of workers) of the family and non-family businesses in the sample of businesses analysed in this chapter. The last row contains the productivity of both groups of businesses measured as a quotient between total income and number of workers , in other words, average sales by employee (in thousands of euros). Finally, the last three columns summarise the rate of increase of each of the variables between 2007 and 2013.

TABLE 5. BASIC ACTIVITY INDICATORS (FAMILY AND NON-FAMILY BUSINESSES)

	2007	2007	2007	2013	2013	2013	Var.	Var.	Var.
	FB	NFB	All	FB	NFB	All	FB	NFB	All
Operating income*	646,035	639,362	1,285,397	642,869	735,521	1,396,390	- 0.49%	17.86%	8.63%
Workers**	3,058	1,959	5,017	3,070	2,070	5,141	0.41%	5.66%	2.46%
Productivity***	211	326	256	209	364	272	- 0.90%	11.54%	6.02%

* Millions of euros ** Thousands of workers *** Average productivity in thousands of euros/worker

3 To carry out the analyses described below, the data have been purged by eliminating extreme and erroneous cases that may distort the results.

First, regarding income, it has been shown that logically, given the fact that family businesses are less important in the size tranches described above, income generated by family businesses is less than that generated by non-family businesses.

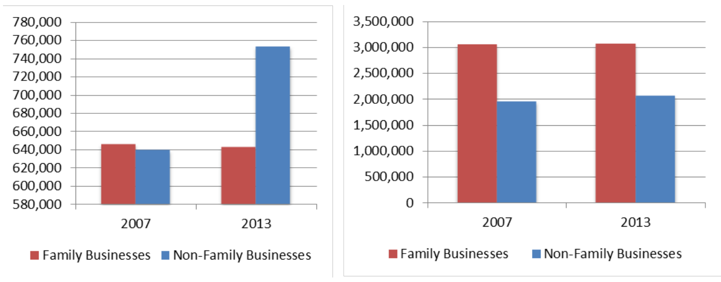
Second, income obtained by family businesses has been observed to have remained practically stable during the period analysed (-0.5%), while non-family businesses have increased theirs by 17.9%.

The employment situation is similar, so much so that family businesses have been barely able to increase the total number of workers (0.4%), while non-family businesses increased the employment generated by a little over 5.6%. However, this increase is very much less than their operating income.

However, the opposite occurs in family businesses: the growth in employment is higher than the variation in income. As can be seen in Graph 8, despite experiencing a small reduction in their total turnover, family businesses have slightly increased the number of workers. As a result, it can be said that the real effort made by family businesses to maintain employment is higher than that of non-family businesses.

GRAPH 8. EVOLUTION OF THE BASIC ACTIVITY INDICATORS

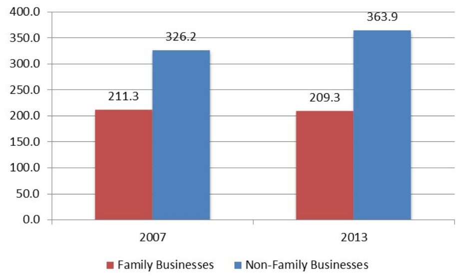
Operating income (M€) **Number of workers**



This can be more clearly seen by analysing the ratio between income and employees, as a measure of productivity. By analysing productivity, the trend is observed in family businesses of maintaining employment even in a reduced income environment like the one experienced during the years analysed (see Graph 9).

Consequently, it appears that not only do family businesses work more intensely, but they have also maintained a constant number of workers for every 1,000 euros of income, unlike non-family businesses. This sketches a portrait of great responsibility and commitment on the part of family businesses towards employment, even in situations of extreme crisis. Logically, productivity (measured as the income and workers quotient) is lower among family businesses and has dropped slightly in recent years. However, non-family businesses have increased their productivity during the crisis, through increases in employment lower than their income.

GRAPH 9. EVOLUTION OF PRODUCTIVITY (TURNOVER BY EMPLOYEE)



In this sense, a number of considerations need to be made. The first is that we are working with the data of the businesses that have survived this crisis, as all the businesses in our sample show that they were active in both 2007 and 2013. Later on, in the next section, we will consider the businesses that closed during this period. This "survivorship bias" helps us understand the fact that the businesses analysed created employment during these years.

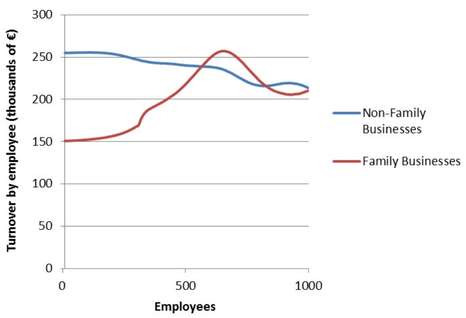
The second phase refers to the size effect. As previewed in previous sections, the smaller size of family businesses influences all the economic and financial variables analysed.

TABLE 6. EVOLUTION OF INCOME, EMPLOYMENT AND PRODUCTIVITY BY SIZE

	2007	2007	2007	2013	2013	2013
INCOME	**Family businesses**	**Non-family businesses**	**TOTAL**	**Family businesses**	**Non-family businesses**	**TOTAL**
Fewer than 25	167,006,311	60,459,054	227,469,226	158,468,274	74,078,910	232,548,021
between 25 and 49	77,162,938	44,442,992	121,605,930	76,109,741	42,421,726	118,531,467
between 50 and 99	61,867,026	58,400,839	120,267,866	61,327,383	69,442,371	130,769,753
100 or more	301,245,232	437,247,934	738,493,167	306,617,399	502,414,754	809,032,153
All	607,281,507	600,550,819	1,207,836,188	602,522,797	688,357,760	1,290,881,394
	2007	**2007**	**2007**	**2013**	**2013**	**2013**
EMPLOYMENT	**Family businesses**	**Non-family businesses**	**TOTAL**	**Family businesses**	**Non-family businesses**	**TOTAL**
Fewer than 25	770,267	140,516	910,807	742,686	125,835	868,516
between 25 and 49	384,136	119,314	503,446	441,193	138,015	579,206
between 50 and 99	273,427	164,446	437,871	314,483	184,191	498,671
100 or more	1,431,021	1,435,008	2,866,033	1,572,460	1,622,792	3,195,255
All	2,858,851	1,859,284	4,718,157	3,070,822	2,070,832	5,141,647
	2007	**2007**	**2007**	**2013**	**2013**	**2013**
PRODUCTIVITY	**Family businesses**	**Non-family businesses**	**TOTAL**	**Family businesses**	**Non-family businesses**	**TOTAL**
Fewer than 25	216.82	430.27	249.74	213.37	588.70	267.75
between 25 and 49	200.87	372.49	241.55	172.51	307.37	204.64
between 50 and 99	226.26	355.14	274.66	195.01	377.01	262.24
100 or more	210.51	304.70	257.67	194.99	309.60	253.20
All	212.42	323.00	256.00	196.21	332.41	251.06

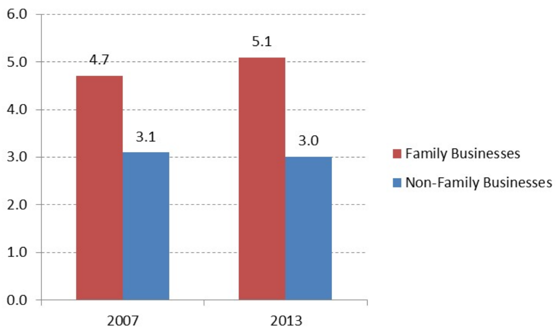
Table 6 compares the income, employees and productivity data by differentiating between four size strata. In the table, we see that the productivity differential, which is measured as the ratio between sales and employees, is reduced as size increases. In fact, this differential is concentrated among the smallest businesses and is very similar among larger businesses (Graph 10).

GRAPH 10. PRODUCTIVITY OF FAMILY AND NON-FAMILY BUSINESSES (2013)



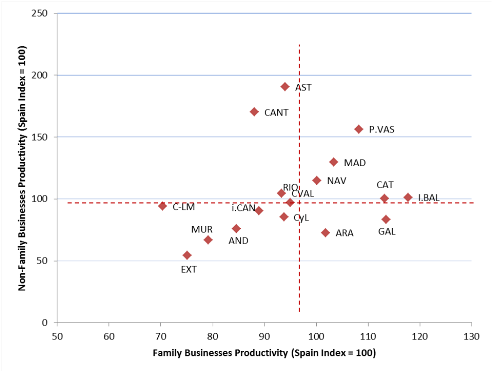
Third, as we have already mentioned, the lower productivity by family businesses during the crisis is also a consequence of greater commitment to employment. Not only do family businesses create employment at the same rate as sales (4.7 jobs per million euros turnover in 2007, compared with 3.1 jobs by non-family businesses), but during the crisis family businesses reinforced this commitment, creating 5.1 jobs per € 1m invoiced in 2013, while non-family businesses raised their productivity at the cost of employment (Graph 11).

GRAPH 11. NUMBER OF EMPLOYEES FOR EVERY € 1M OF TURNOVER



Regarding the influence of size, family businesses with fewer than 25 employees were observed to be 5.2 times less productive than non-family businesses of the same size. Whereas family businesses with more than 100 employees are 1.5 times less productive than non-family businesses of the same size. Finally, Graph 12 compares productivity levels of both types of businesses in every Autonomous Community compared with the Spanish average (in an index of Spain = 100).

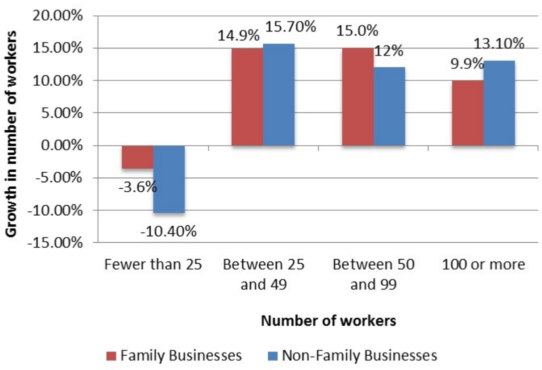
GRAPH 12. PRODUCTIVITY OF FAMILY AND NON-FAMILY BUSINESSES BY AUTONOMOUS COMMUNITY



The communities in the top right zone (the Basque Country, Madrid, Balearic Islands, Catalonia and Navarre) are the ones whose productivity is above the national average for both family and non-family businesses. The complete opposite lies in the zones where all businesses show profitability lower than the national average (Extremadura, Murcia, Andalusia, etc.). However, the other two quadrants are more interesting. In the case of Cantabria and Asturias, non-family businesses are more efficient than the national average, but their family businesses are not, while in Galicia and Aragon, the opposite is true, in other words, their family businesses are more productive than the Spanish average, but not their non-family businesses.

The data for the evolution of employment in both types of businesses show that only in the smaller size businesses stratum (up to 25 employees) is there a reduction in the number of workers, less in family businesses than non-family businesses, as a result of greater commitment that we have already seen by family businesses to their employees. Also, in businesses with between 50 and 100 workers, the creation of employment is more intense in family businesses, as shown in Graph 13.

GRAPH 13. GROWTH IN EMPLOYMENT BY SIZE (2007-2013)



We have already mentioned that this analysis lacks survivorship bias. To rectify this, a complementary analysis was conducted into productivity (measured as the quotient between total income and the number of employees) of family and non-family businesses in 2007 and comparing the productivity of both types of business that closed during this time.

TABLE 7. PRODUCTIVITY IN 2007 OF FB AND NFB

	Comparison of all businesses and those that closed up to 2013					
SIZE	Family businesses	Family businesses that closed	Non-family businesses	Non-family businesses that closed	Total Businesses	Total Business that closed
Fewer than 25	324.8	197.7	766.0	403.2	393.8	211.2
between 25 and 49	212.7	138.1	442.7	215.7	274.2	143.7
between 50 and 99	242.2	134.4	421.8	266.0	320.4	149.5
100 or more	231.7	134.9	365.4	143.6	313.1	137.2
All	303.0	165.2	624.1	233.4	376.4	174.1

We can draw a series of conclusions from Table 7. On the one hand, we see that the family businesses that closed during the 2007 to 2013 period were 21% less productive in 2007 than the family businesses that survived in 2013. This same situation occurs among non-family businesses as the businesses that closed were on average 35% less productive than those that maintained activity.

In the comparison between family and non-family businesses, it appears that the productivity level threshold for closing a non-family business is higher than for a family business (around 40% higher), this would indicate that family businesses are able to survive with lower productivity levels.

It is also interesting to note that the loss of employment observed during the crisis can be explained essentially by the businesses that have closed and not so much by the businesses that have survived. Consequently, the businesses that closed between 2007 and 2013 employed 561,951 people in 2007 (488,273 in family businesses and 73,678 in non-family businesses), as summarised in Table 8.

TABLE 8. EMPLOYMENT LOST BETWEEN 2007-2013 BY THE FB AND NFB THAT HAVE CLOSED

EMPLOYMENT LOST	Family businesses	Non-family businesses	Total
Fewer than 25	155,121	10,871	165,992
between 25 and 49	134,709	10,509	145,218
between 50 and 99	89,395	11,584	100,979
100 or more	109,048	40,714	149,762
All	**488,273**	**73,678**	**561,951**

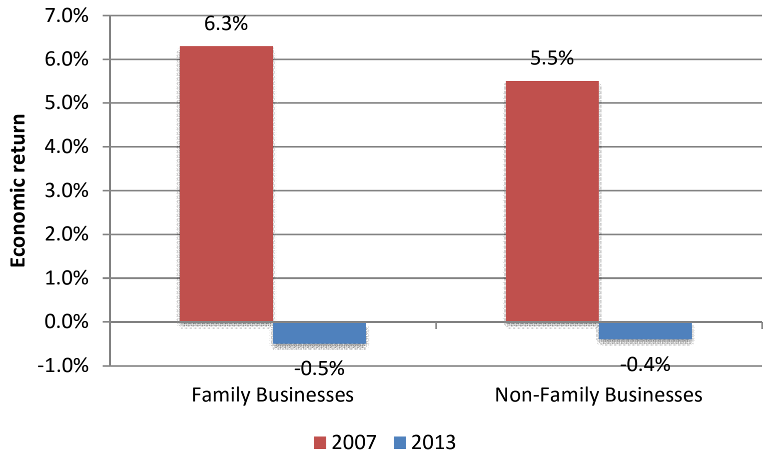
1.2.3. Profitability and indebtedness

Having analysed the aspects more closely linked to business activity, we will now turn our attention to certain questions linked to the economic and financial profitability of businesses and their level of indebtedness.

Economic profitability refers to the profitability obtained by businesses through their operating activities and is measured as the quotient between pre-interest and tax profit and total assets. This ratio has been calculated for all businesses in 2007 and 2013 for all businesses in existence during this period.

As was expected, during the period analysed, economic profitability for both types of businesses was much depleted. Both types of business started with very similar values in 2007, although somewhat higher for family businesses (see Graph 14).

GRAPH 14. ECONOMIC PROFITABILITY (FAMILY AND NON-FAMILY BUSINESSES)

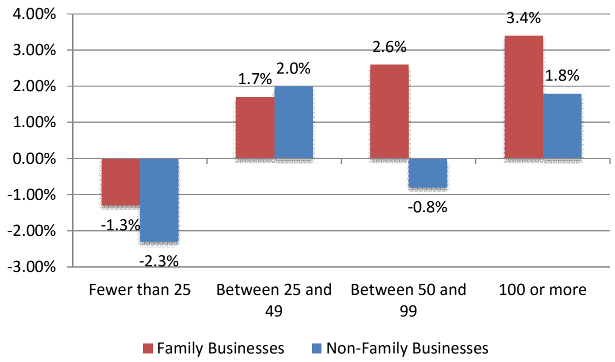


However, after six years of crisis, family businesses have seen their economic profitability reduced more than that of non-family businesses. Once again, given that we only worked with businesses which maintained their activity throughout the crisis, these data reveal family businesses' ability to resist, to survive despite their profitability falling very drastically.

An economic profitability analysis by size for 2013 points to a positive relationship between size and profitability, except for medium-size non-family businesses (between 50 and 100 workers). Similarly, it has been observed that family businesses which exceed the threshold of 50 workers are able to obtain higher profitability than non-family businesses.

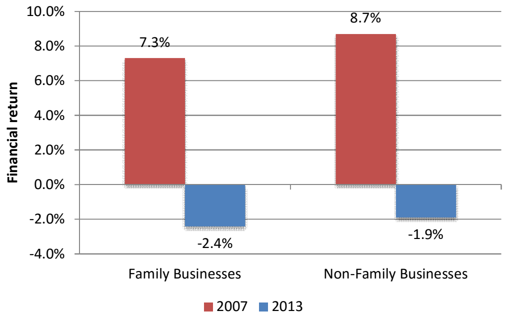
This figure is highly significant as it dispels the myth that family businesses are always smaller and less profitable than non-family businesses.

GRAPH 15. ECONOMIC PROFITABILITY BY SIZE



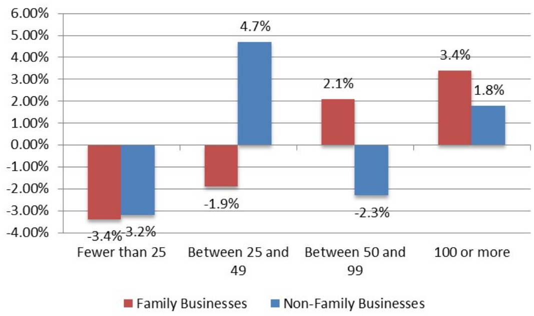
If we focus on financial profitability, which is the profitability obtained by the shareholders and owners, the evolution is similar. This ratio has been measured as the quotient between the results of the financial year and its own funds and it has been calculated for all businesses in existence between 2007 and 2013. Consequently, the results show that in 2007 family businesses were a little less profitable in financial terms than non-family businesses, with this situation maintained in 2013 although with negative values in both cases as a consequence of the crisis that they had experienced.

GRAPH 16. FINANCIAL PROFITABILITY (FAMILY AND NON-FAMILY BUSINESSES)



Once again, there is a positive relationship between the number of workers and financial profitability in terms of size, especially in family businesses, and how, once again, when these businesses exceed the 50-worker threshold, they achieve profitability higher than non-family businesses.

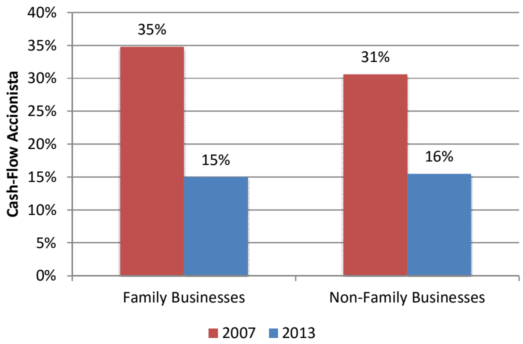
GRAPH 17. FINANCIAL PROFITABILITY BY SIZE



Cash-flow by shareholder (CFS) is a complementary measure to financial profitability. This indicator has been calculated as the quotient in which the numerator consists of the EBITDA minus financial costs and taxes and the denominator comprises the business' own funds. As we said, this is a complementary measure to the above, which provides a more liquid vision of the results obtained by the owners.

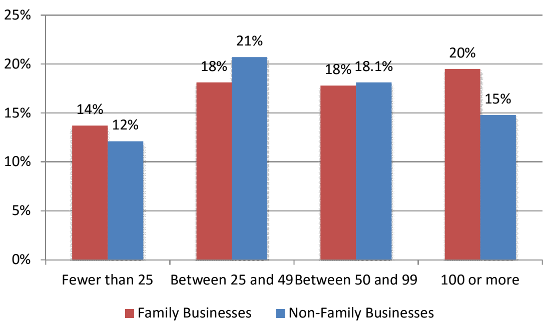
With regard to this ratio, the results are very similar to the financial profitability results if we compare the CFS between family and non-family businesses. As we can see in Graph 18, this indicator has been drastically reduced as a consequence of the crisis for both types of businesses. This indicator has fallen to almost half, although more so for family businesses which started from higher levels in 2007, unlike what happened in 2013.

GRAPH 18. CASH-FLOW BY SHAREHOLDER



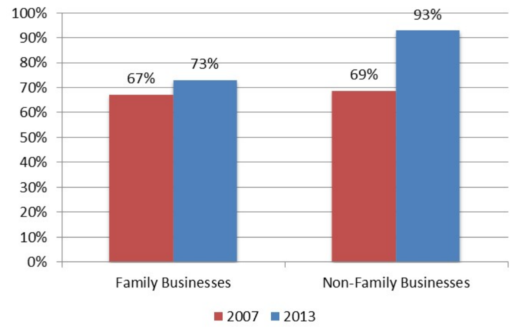
By size, the results once again show a positive influence of dimension on the CFS for family businesses, especially in the extreme strata (the largest and smallest), although it is precisely in these strata where family businesses show higher CFS values than non-family businesses.

GRAPH 19. CASH-FLOW BY SHAREHOLDER BY SIZE (2013)



Finally, we have made a direct analysis of family and non-family business indebtedness. The ratio of indebtedness has been calculated as the quotient between external funds and total liabilities, where a larger value in this ratio would mean a higher level of indebtedness by the business. In this sense, we see that family businesses showed slightly lower ratios of indebtedness than non-family businesses, both in 2007 and in 2013, thereby increasing the difference significantly (from 1.5% to 20%).

GRAPH 20. EVOLUTION OF THE INDEBTEDNESS RATIO



These figures may be explained by the commitment of family business owners to keep financing the business with their own resources. This commitment translates into a greater proportion of own resources, which also means a more reduced level of financial risk than for non-family businesses with much higher levels of indebtedness. Also added to this are the inherent difficulties of securing external financing by many family businesses, especially during the crisis.

In short, and despite the differences that there may be in the various size tranches, we have a clear picture of how the two types of survivor businesses dealt with the crisis. Family businesses tend to be smaller in terms of income and more labour-intensive. Their commitment to employment is notable, keeping their workers as far as possible even at the cost of losing competitiveness and profitability.

Similarly, family businesses have sacrificed greater levels of economic and financial profitability in recent years. However, for businesses that exceed the 50-worker threshold, family businesses are more economically and financially profitable than non-family businesses.

Besides this, family businesses have been more prudent in terms of indebtedness, increasing their ratio of indebtedness to a lesser extent than non-family businesses. All these data considered as a whole appear to point to a strong commitment by family businesses to long-term employment and continuity, even at the cost of prejudicing their levels of short-term productivity and economic and financial profitability.

2. Snapshot of the Spanish family business

A knowledge of the reality of the family business is fundamental in assessing the potential of the most widespread type of business in our economic system. A questionnaire has been developed with this aim, which enables us to take a snapshot of the Spanish family business. Fundamentally, we have gathered information about the profile of the business and the management of the business and family aspects. This way, we can diagnose the strengths and possible points for improvement, which will enable us to increase competitiveness and ensure the continuity of the business project. Specifically, we have conducted a detailed analysis of some of the essential variables for the consolidation of family businesses, such as size, internationalisation, female participation in management and knowledge of the tax framework.

Our starting point is the consideration of the high heterogeneity of family businesses. It is not only of interest to know their differences with non-family businesses, but also within family businesses there are different models depending on the attention and importance that they give to the business and family dimensions. For a better understanding of the heterogeneity of the family business, we have drawn up a range of types that distinguishes four types of family business.

The data from this study come from a survey commissioned by the Instituto de la Empresa Familiar. The information was gathered by the Sigma Dos company during the period from 18 May 2015 to 3 June 2015. The method for gathering the public opinion polling information is by telephone survey to the CEO or manager of the business. Based on the directory of family businesses drawn up for the macroeconomic analysis, we randomly selected a sample of 529 Spanish family businesses, achieving a high level of representativity (error ±4.2%), also taking into account sectoral and geographical criteria.

2.1. Profile of the family business

2.1.1. Business approach

The first variable analysed to create the portrait of the Spanish family business is size. Consequently, the average size of businesses in the sample is 28.8 employees. Table 9 shows the distribution by size of the businesses surveyed, taking as reference the size strata used according to the official definition. It is, therefore, a sample of businesses with a size greater than that of the population, but one in which small businesses continue to be predominant (if we consider jointly micro-businesses and small businesses, the percentage reaches 89.8% of the total). Table 10 adopts a distribution by convenience where small businesses are specifically differentiated as they are the most numerous interval. These will be the size strata that we will be using in the rest of the document.

TABLE 9. DISTRIBUTION BY OFFICIAL SIZE

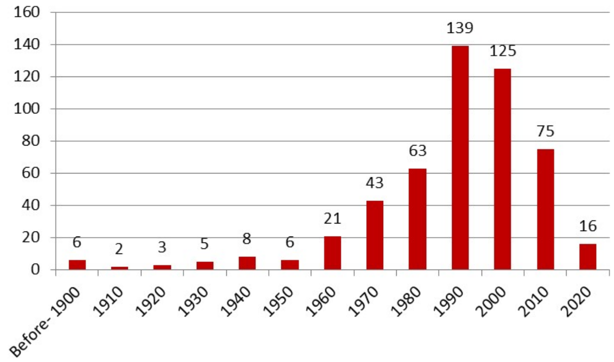
	%
Up to 9 (micro)	24.1
10 to 49 (small)	65.7
50 to 249 (medium)	8.7
More than 250 (large)	1.5
Total	100.0

TABLE 10. DISTRIBUTION BY SIZE ACCORDING TO CONVENIENCE

	%
Up to 9 (micro)	24.1
10 to 49 (small)	36.9
50 to 249 (medium)	28.8
More than 250 (large)	10.2
Total	100.0

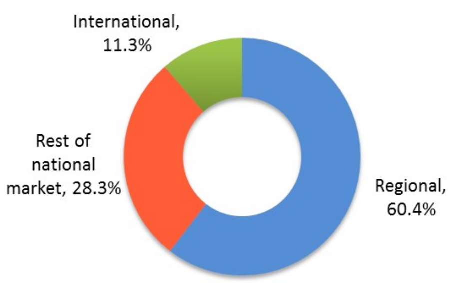
The businesses in the sample present an average age of 33 years. Of note is that 10 businesses (1.7%) are over a hundred years old. In Graph 21, we see how the majority of the businesses in the sample were founded in the 1990s and the first decade of the twenty-first century. The longevity of family businesses is especially high, as the average age of Spanish businesses as a whole is some 12 years (calculation based on DIRCE data).

GRAPH 21. DISTRIBUTION OF BUSINESSES BY AGE



Internationalisation constitutes one of the principal challenges of Spanish businesses, and the same is true of family businesses. The majority of the businesses in the sample have a regional or national market scope. Consequently, when asked about how they distribute their sales between regional, national and international markets (Graph 22), most correspond to regional sales (60.4%) and just 11.3% would be sales in international markets.

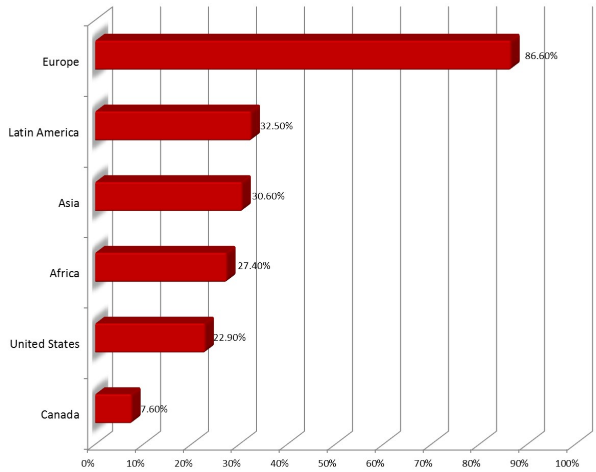
GRAPH 22. AVERAGE DISTRIBUTION OF SALES BY MARKET



However, these values do not differentiate between the businesses that carry out activities abroad and those that do not. In fact, 67.3% of family businesses do not sell outside Spain. In other words, businesses with international sales are 32.7% of the total.

Among the businesses with international sales, Graph 23 shows the presence in international markets, highlighting Europe as principal destination with 86.6% and at some distance behind, Latin America (32.5%), Asia (30.6%) and Africa (27.4%).

GRAPH 23. PRESENCE IN INTERNATIONAL MARKETS



With regard to the form of internationalisation (Table 11), the most common is export, with direct investment in destination countries or the establishment of strategic alliances with any type of partner being much less. Generally speaking, 28.3% of family businesses export. If we refer solely to those that sell abroad, the figure rises to 86.6%.

TABLE 11. FORM OF INTERNATIONALISATION

	International only	All
Export	86.6%	28.3%
Direct investment	18.5%	6%
Strategic alliances	15.3%	5%

Finally, we analyse the strategic and innovative approach of the Spanish family business (Table 12). In such volatile environments as the present one and in light of the speed of technological and social changes, innovation is one of the great challenges facing businesses in general and family businesses in particular for improving their competitiveness. In this sense, the great majority of family businesses (72.8%) have undertaken some type of innovation in the last three years, a figure that is much higher than the average for Spanish businesses. In addition, they were asked about strategic dynamism – understood to be the entry into new businesses or markets in the last three years – with the result that 28.2% of family businesses have accessed new markets and 19.3% have launched new products, creating new businesses in different sectors.

TABLE 12. INNOVATIVE BEHAVIOUR	%
Innovation	72.8
New businesses/sectors	19.3
New markets	28.2

2.1.2. Corporate Governance and family participation

Taking Corporate Governance to be "the system formed by the relationships between the shareholders, the administrative bodies and the executive management, and by the processes whereby these three figures control and manage the company"[4], this section seeks to characterise the figure of the CEO and of the different governing bodies of Spanish family businesses. With this aim, we looked at such characteristics as the generation at the helm of the company and family participation.

The CEO or manager is characterised by being a man (63.1%) and by being a member of the owner family (73%) with an average seniority in the post of 15.1 years.

The greatest seniority in the post corresponds to men (16.4 years compared with 12.8 years for women) and members of the owner family (16.3 years compared with 11.7 for non-family members).

Some 53.6% of the businesses are under first-generation ownership (1G), 37.3% under 2G and 9.2% under third or subsequent generations. With regard to the relationship between the generation that is the owner and the one that manages the business, the most common is the coincidence of both: 83.3% (1G) and 93.4% (2G). The data reveal that prior to the transfer of ownership, the next generation enters the management of the business. Some 16.7% of the businesses owned by the first generation are managed by the second generation; in the second, 6.6% of businesses are managed by a different generation; in the third, 13.2% of businesses are managed by the first or third generation. Similarly, in some cases, even with the ownership transferred to the next generation, there are people in the previous generation in managerial posts. All of this indicates that, in many cases, several generations coexist in family businesses with different roles, being one of the characteristic traits of family businesses.

TABLE 13. OWNER AND DIRECTORIAL GENERATION

4 Document No. 165 of the Instituto de la Empresa Familiar "Practical guide for the good governance of family businesses" (Quintana, 2012)

	Management					Total
	1G (46.1%)	2G (44.6%)	3G (7.2%)	4G (1.0%	5G + (1.1%)	
Ownership 1G (53.6%)	83.3%	16.7%				100%
2G (37.3%)	4%	93.4%	2.6%			100%
3G (7.2%)		10.6%	86.8%	2.6%		100%
4G (1.0%)				80.0%	20.0%	100%
5G + (1.0%)					100.0%	100%

The survey asked about governing bodies associated with the three dimensions that comprise a family business: the management of the business, its ownership and the family itself. As set out in Table 14, the most usual governing body is the Management Team, present in 69.8% of businesses. In the remaining 30.2%, the lack of a team may be explained by the informal nature of the management of the business, normally due to the centralisation in decision-taking by the CEO or manager.

With regard to the governing bodies of the owner, half of the businesses (49.3%) have a Board of Directors, 36.3% have a Shareholders' Board, almost a third (30.2%) have a Family Council and little fewer have a Family Assembly (26.8%).

The family presence ranges from 69.2% in management teams to 74.5% in the Shareholders' Board, being exclusive, as is obvious, in the Family Council and Family Assembly. The last column in Table 14 gives the cases where the governing bodies are exclusively formed by family members, varying between 51.6% in management teams and 62.2% in shareholders' boards. This indicates that in family businesses, there tends to be a strong control of the governance of the ownership and management of the business, derived from the desire to influence their decisions.

TABLE 14. EXISTENCE AND COMPOSITION OF THE GOVERNING BODIES

	% Existence	% Family Members	Only Family Members
Management team	69.8	69.2	51.6
Board of Directors	49.3	70.0	53.5
Shareholders' Board	36.3	74.5	62.2
Family Board	30.2	100	100
Family Assembly	26.8	100	100

2.1.3 Management of the Family Dimension

The businesses analysed are characterised by the high family component in the ownership, reaching an average of 94.2% of the share capital. The family presence reaches the entirety of the share capital in 85.5% of businesses, therefore only in 14.5% of cases do family owners exist alongside external shareholders.

This section includes aspects that are characteristic of the family business whose adequate management is indispensable for the continuity of the business project. It begins by revealing data on aspects of the education and experience of the management teams, then it tackles fundamental questions such as profit distribution, valuation of shares and knowledge of tax benefits, to then show the approaches on such a critical aspect as succession; and finally it sets out the principal challenges faced by family businesses.

Beginning with a general question, it is derived from the survey that 52.9% of businesses have a specific training plan, which constitutes a point of improvement for the future, as nearly half the businesses can benefit from the advantages derived from an adequate training of their employees to carry out their work.

Going on to the family directors sub-group, 44.5% have a university education and 36.5% have experience in other businesses. Although in the group of those without a university education, there may be a significant number of business founders who have built up a business project through their initiative and hard work, both aspects as a whole indicate that there is a margin for professionalisation in family management if we add university education or experience from working in other businesses to the traditional format of early incorporation and training in the business.

The influence of the generation at the helm of the business throws up some interesting results with regard to the education and experience of the family directors (Table 15). Firstly, it is seen that the most established businesses have a greater level of university education among their family directors. In principle, this fact can be attributed to a greater professionalisation of the family business. The opposite occurs with external experience, where it is the youngest businesses that put this practice into place with the greatest intensity.

TABLE 15. EDUCATION AND EXPERIENCE OF FAMILY DIRECTORS ACCORDING TO GENERATION IN MANAGEMENT

	University education % **	External experience % ***
First generation	40.2	47
Second generation	46.2	28.7
Third (or subsequent) generation	56.7	23
Total	**44.5**	**36.5**

Statistical test: Mean difference
Statistical significance *p<0.1; **p<0.05; ***p<0.01

In profit distribution, it is evident that self-financing, taken to be the reinvestment of profits, is a typical trait of the family business. On average, family businesses only distribute 3.6% of profits. Some 86.2% have not distributed profits in the last two years. Without a doubt, the effects of the long crisis from which we barely seem to be emerging will have affected this decision. This piece of data is consistent with the results obtained from SABI in previous sections of this report. In these analyses, it was verified how during the crisis family businesses had been strongly committed to self-financing, either to limit their level of indebtedness with the risks it entails or due to the difficulties in accessing external financing. Besides this, if we consider only the businesses that distribute profits, the percentage profit distribute comes to 26.2%.

Another fundamental question analysed is the share valuation mechanism employed by family businesses. This is relevant as it allows us to know the value of the company with a view to various economic and financial operations, such as securing external funds or carrying out changes in the shareholding, due either to the departure or incorporation of shareholders. Only in 13.9% of businesses have the owners agreed a method for valuing their shares/stocks every year. Table 16 shows how the book value (45.9%) and the opinion of an expert (31.1%) are the majority options.

TABLE 16. SHARE VALUATION METHOD	%

According to the book value	45.9
To be done by an expert	31.1
Based on the discounted cash flow	11.5
As a profit multiple	6.6
Other	4.9
Total	**100.0**

There is another idiosyncratic element of family businesses: adequate tax management. The principal demands of the institutions related to the sphere of family businesses in particular and business in general seek the existence of a tax framework that aids the transfer of business projects between generations such that the existence of high tax burdens do not hinder a process that is already very complicated and high risk. However. 51.3% of the family businesses surveyed do not know the specific tax framework of family businesses. A subsequent section will analyse this question in more detail.

For its part, the family protocol becomes a vital tool for regulating the running of the business and family involvement with a view to the continuity of the business project. This is one of the questions on which the Instituto de la Empresa Familiar, and the Regional Associations, have placed the emphasis in terms of dissemination of its importance and of training for its creation. For this reason, the survey included a series of questions about its existence and contents. Only 8.9% of the businesses have a written family protocol (Table 17). Some 77.8% of those surveyed do not see it as being necessary and 3.7% do not know what it is. It therefore appears that the huge effort made has meant that the majority of the businesses know what the protocol is but that they feel that it is not a useful or necessary instrument in their case. This suggests that major work still needs to be done geared towards highlighting the advantages of having a protocol compared with not having one.

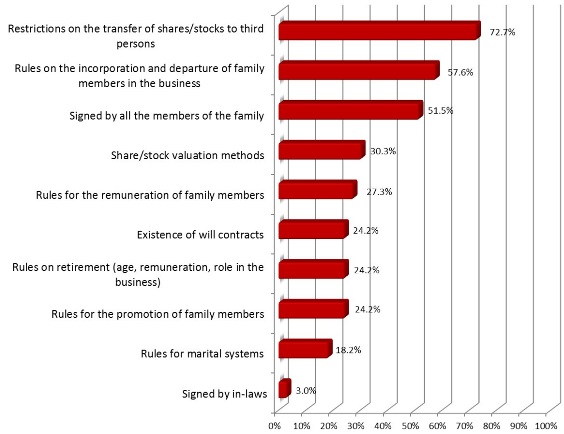
Similarly, the average age of the protocols is nine years, and it is notable that one out of every five businesses did it in the 1990s. With regard to its dynamism, 57.6% of businesses have never revised it and 18.2% have revised it once. The protocol is an open document at all times subject to revision, but given that their average age is not high, it is not surprising that the revision rate is moderate.

TABLE 17. EXISTENCE OF FAMILY PROTOCOL

	%
Yes	8.9
No, but it is being produced	2.7
No, but we are thinking of it	6.8
No, because we do not think it is necessary	77.8
No, we do not know what it is	3.7
Total	100.0

If we focus lastly on the contents of the existing family protocols, these principally include questions on the restriction on the transfer of shares (72.7%); on a second level, it tackles rules on the incorporation and departure of family members (57.6%); and on a third level, the other questions such as share valuation methods (30.3%), rules for remuneration of family members (27.3%), inter alia (Graph 24). In half the cases, the protocol is signed by all the members of the family, and rarely by in-laws.

GRAPH 24. ASPECTS INCLUDED IN THE FAMILY PROTOCOL

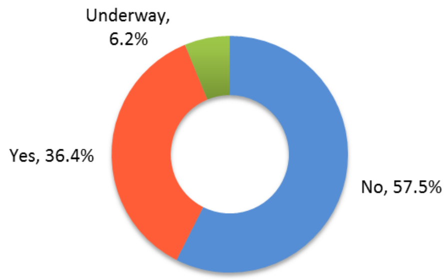


The succession process of both the ownership and, especially, of the management is one of the most critical moments of any family business, and one of the ones that has received most attention from consultants, academics and entrepreneurs. With regard to the form of transfer of ownership (Table 18), two out of every three businesses still have no plans in this respect. The lack of attention to these issues and a lack of knowledge of the tax framework can become an insurmountable factor, preventing the transfer of profitable business projects. Among the businesses that have considered these issues, inheritance (24.2%) is the fundamental form of transfer compared with donation (5.6%). Only a minority (2.4%) consider the sale of ownership.

TABLE 18. TRANSFER OF OWNERSHIP	%
No plans in this respect	67.7
Through inheritance	24.2
By donations	5.6
No, they will sell their share to other persons or businesses	2.4
Total	**100.0**

The success of the succession process depends on its planning, including the criteria that the successor must meet and the way in which it will be carried out. The results show that over a third of businesses (36.4%) have agreed on the succession process of the main manager of the business; 6.2% state that they are in the process of doing so, and 57.5% have not agreed on it yet (Graph 25).

GRAPH 25. CONSENSUS ON SUCCESSION OF THE PRINCIPAL MANAGER



As is logical, the existence of a family protocol is clearly related to the planning of the succession, as is shown in Table 19. Consequently, 61.1% of the businesses that do not have a protocol do not have a succession plan either, while of the businesses with a protocol, only 28.9% have not started to even plan the succession. To put this another way, 69% of the businesses with a protocol have already agreed on the succession process of the main manager of the business.

TABLE 19. POSSESSION OF PROTOCOL ACCORDING TO EXISTENCE OF SUCCESSION PLAN

Protocol	Succession plan ***		
	Yes	Under Way	No
No	32.4	6.5	61.1
Yes	68.9	2.2	28.9
Total	**36.4**	**6.2**	**57.4**

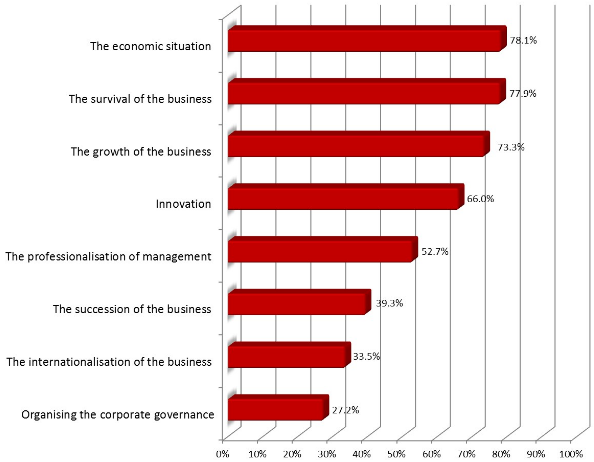
Statistical test: Crossover tables
Statistical significance *p<0.1; **p<0.05; ***p<0.01

Some 44.4% of businesses have defined criteria for choosing the successor. The most common criterion (Table 20) in choosing the successor is being a member of the owner family (73.1%), followed by professional experience in the business (45.4%). This result is consistent with the relatively low percentage of family directors with a university education and external experience that we mentioned in previous sections since, as we now see, the principal criteria are being a member of the family and having experience in the business. These data confirm the management professionalisation gap that still exists in Spanish family businesses.

TABLE 20. CRITERIA FOR CHOOSING THE SUCCESSOR	%
It should be one of the owners or a family member of the owners	73.1
Professional experience in the business	45.4
University education	31.0
Professional experience outside the business	19.9
Postgraduate qualification in a business school	9.7

Finally, the survey included a section aimed at finding out the opinion of Spanish family businesses on the main challenges facing them. It is deduced from the answers obtained that the biggest concerns of family business is the economic situation (78.1%), the survival of the business (77.9%) and the increase in size (73.3%). The questions on the family dimension, such as succession and the organisation of the corporate governance, are in a more secondary position. This is consistent both with the difficulties experienced in recent years and with the still low rates of professionalisation, especially in the management of the family dimension, as we have seen throughout this report.

GRAPH 26. CHALLENGES OF THE FAMILY BUSINESS



A predictor of the future of family businesses is the conviction on the meaning of their family nature and the advantages this brings, both in economic terms and in socio-emotional terms. In this sense, a broad majority (83.3%) of the businesses interviewed believe that the family nature favours them as a business.

Since the creation of the Instituto de la Empresa Familiar in 1992, a network of regional associations has been created, which now embraces all the Spanish Autonomous Communities. Its work of representation, advice and training, among other areas, has contributed decisively to the development of family businesses (both association members and non-members). According to the survey results, 6.9% of family businesses are members of a regional association.

2.2. Principal challenges of the family business

After providing the descriptive data that define family businesses in Spain, we present the specific results on questions of interest that have been analysed in more detail. Specifically, we want to take a more in-depth look at the profile of larger family businesses, the ones with an international presence and the ones where there is better knowledge of the tax framework of the family business. We will finish this section presenting a range of types of family businesses in light of their business and family approaches.

2.2.1. Size and Competitiveness

There are specific factors in family businesses that limit their size, notably the maturity of the sectors in which they operate, financial difficulties, the resistance to change of the leaders and, fundamentally, the fear of losing family control and the preference for stability over economic objectives. However, the business that does not reach a minimum size faces serious difficulties for survival at some times. In previous sections of this report, we have seen the positive effect of the larger size on various economic and financial aspects of the businesses. In this vein, various economic promotion initiatives are aimed at increasing average size as a tool for improving competitiveness.

This section identifies the traits that significantly characterise the largest family businesses In Table 21, the results for businesses with more than 50 employees are shaded to highlight the differences that occur. This border value of 50 employees is the same that has been identified as relevant in the first parts of this study.

It is deduced from analysis of the data in Table 21 that, except in the case of internationalisation, all the variables reach their maximum value in the group of businesses of 50 or more employees, confirming that businesses that reach this minimum size have greater strategic and innovative dynamism and more professional management. Besides this, it is linked to a greater presence of non-family member directors. The importance of the non-family member director should be valued together with the data obtained in this survey that there is a high percentage of family directors with scant education and external experience. In this sense, the value provided by non-family member directors may be both the fact of being from outside the family and bringing more weight to the economic and financial objectives compared with family members and of bringing a profile of better education and more external experience, which helps make the family business more competitive. These two latter aspects may, in good part, be provided by family directors that have the right education and that are accompanied by adequate governing bodies and control mechanisms. The following gives a detailed analysis of the results obtained in each section.

TABLE 21. RELEVANCE OF BUSINESS SIZE (PERCENTAGE OF BUSINESSES)

	Employees				
	Up to 9	10 to 19	20 to 49	From 50	Average
Internationalisation					
International Presence**	26.5%	28.1%	42.1%	35.4%	32.6%
Strategic and innovative dynamism					
Businesses ***	10.4%	21.5%	17.4%	30.2%	18.5%
Markets ***	12.8%	28.3%	32.9%	49.1%	28.0%
Innovation ***	56.8%	77.0%	77.9%	84.9%	73.2%
Planning					
Strategic plan ***	22.9%	32.6%	27.9%	49.1%	30.7%
Family involvement					
Non-family member CEO	21.6%	22.5%	30.2%	45.5%	26.8%

Statistical test: Crossover tables
Statistical significance *p<0.1; **p<0.05; ***p<0.01

Internationalisation

The largest businesses are more internationalised, this especially occurs with businesses of between 20 and 49 employees (42.1% compared with the total average of 32.6%) and those with more than 50 employees (35.4%).

Strategy

It is also confirmed that larger-sized businesses are more strategically dynamic. The figures confirm the lesser strategic mobility of micro-businesses. Businesses with more than 50 employees have trebled access to new businesses or sectors and access to new markets in the last three years compared with micro-businesses.

Innovation

In the case of innovation, a clear weakness is also observed in micro-businesses. Although it is true to say that the smaller size requires less internal innovation (processes and organisation). It is also true that the lack of adequate organisational approaches acts as a brake on growth. In short, in businesses of more than 50 employees, a greater propensity to innovate (84.9%) is observed, especially with regard to micro-businesses (56.8%).

Planning

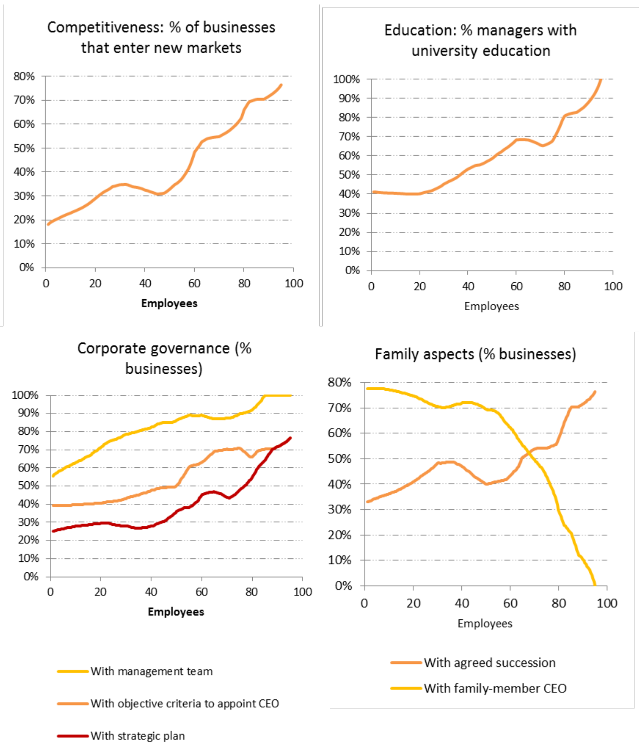
Any business needs to draw up a strategic plan that establishes its medium- and long-term objectives. Consequently, businesses of more than 50 employees double in percentage the micro-businesses in the existence of a strategic business plan.

Family involvement

To verify the measure in which greater family involvement can limit the size of the business, various indicators have been analysed. There is no relationship between size and family involvement in terms of ownership or management. The only variable that is related is the resort to a non-family member CEO, which increases progressively the larger the business. In businesses with more than 50 employees, this is found in 45.5% of cases, whereas this case is only reached in 21.6% of family micro-businesses.

With the aim of illustrating the importance of business size in relation to competitiveness, the perfecting of corporate governance, the formalisation of interaction with the family and human capital, Graph 27 shows the evolution of some of these variables depending on business size.

GRAPH 27. RELEVANCE OF BUSINESS SIZE



The graphs have been obtained by means of a non-parametric regression that provides the expected value for different levels of employment.

2.2.2. Internationalisation

Internationalisation has been chosen as a key competitive aspect that should be analysed to be able to have a more detailed idea of business dynamism. Only one in three businesses sell outside our borders. In an increasingly more globalised competitive scenario, having an international presence is ever more necessary. With the exception of small businesses that operate in very localised markets, the majority of businesses, family or otherwise, need to gear their activity abroad to expand markets and also to improve their strategic approaches. The recent economic crisis has highlighted better performance of the businesses that have made the most of foreign markets to offset the fall in internal demand.

We will now analyse the variables that significantly differentiate internationalised businesses from the rest, the aim of which is to establish a profile of them. In Table 22, the results for the case of internationalised businesses are shaded to highlight the differences that are identified.

TABLE 22, VARIABLES THAT INFLUENCE INTERNATIONALISATION (% BUSINESSES)

Internationalisation			
	Yes	No	Average
Non-family member CEO***	36.9%	23.5%	27.9%
Non-family member directors*	34.9%	27.8%	30.3%
Family member directors training**	52.4%	42.8%	45.8%
Existence of Management Team***	75.8%	67.8%	70.4%
Strategic and innovative dynamism			
New businesses/sectors***	26.1%	13.3%	17.5%
New markets***	54.8%	13.6%	27.1%
Innovation**	79.0%	68.7%	72.1%
Size**			
Up to 9	20.1%	27.0%	24.8%
10 to 19	30.5%	37.7%	35.4%
20 to 49	38.3%	25.5%	29.7%
From 50	11.0%	9.7%	10.2%
Generational cycle*			
1G (management)	41.9%	48.1%	46.1%
2G (management)	45.2%	45.7%	45.5%
3G+ (management)	12.9%	6.2%	8.4%
Challenges			
Professionalisation*	59.9%	51.7%	54.1%
Growth**	79.0%	71.5%	74.0%
Internationalisation***	66.9%	18.3%	34.2%
Innovation***	75.8%	62.8%	67.1%
Membership of regional association*	9.2%	5.3%	6.6%

Statistical test: Crossover tables and means difference
Statistical significance *p<0.1; **p<0.05; ***p<0.01

A greater presence is detected of non-family member directors in internationalised businesses, both in the position of senior executive or CEO (36.9% compared with 23.5%) and of non-family member directors in general (34.9% compared with 27.8%). In internationalised businesses, the proportion of family directors with university education comes to 52.4% whereas in non-internationalised businesses the number of family directors with higher education comes down to 42.8%. These results once again confirm the reflections made when the effect of size on the need for greater professionalisation of family directors has been analysed. In this case, it is seen that when family directors have the adequate education, the results can be comparable with those obtained by non-family member directors.

Finally, in the same vein of highlighting the need to professionalise management, it is seen that the greater presence of a Management Team (75.8% compared with 67.8%) occurs when the business is internationalised.

There is also a positive relationship between the internationalisation and the strategic and innovative dynamism of the business, with internationalised businesses reaching significantly higher values in these variables. Of special note, as could be expected, is the dynamism in access to new markets in the last three years by internationalised businesses (54.8% compared with 13.6%).

As was mentioned in the previous section, there is also a logical connection between size and internationalisation, being especially evident in businesses of more than 20 employees. The larger the size of the business, the greater the internationalisation. Some 49.3% of internationalised businesses have more than 20 employees, whereas with non-internationalised businesses this figure is just 35.2%.

The generational cycle measured in terms of generation at the helm of management also appears to be associated with internationalisation. In internationalised businesses, there is a greater presence of businesses in the third or subsequent generation (12.9% compared with 6.2%). This may be due to it being precisely these established businesses that have better educated family directors, as has been shown in Table 10. In other words, businesses that take more care over the education of their family members involved in management can have greater probabilities of lasting over the generations and of internationalising more.

The following group of variables with a positive relationship with internationalisation refer to the challenges declared by family businesses. Generally speaking, internationalised businesses display greater concern for the various challenges. Logically notable is a greater interest in internationalisation (66.9% compared with 18.3%) and innovation (75.8% compared with 62.8%); at a second level is a greater interest in professionalisation and growth.

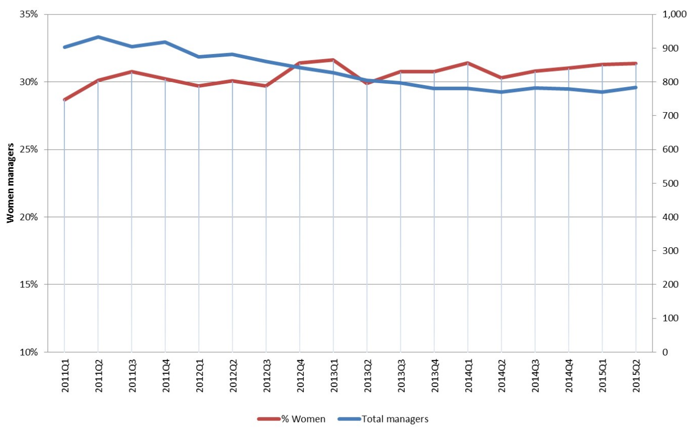
Finally, a positive relationship was also found with membership of a regional family business association. Consequently, internationalised businesses display a greater degree of association membership (9.2% compared with 5.3%).

2.2.3. Governing Bodies and female participation

The particularities of the family business provide a scenario that is favourable to the incorporation of women in decision-making positions. The post of CEO is filled by women in 36.9% of Spanish family businesses, a higher percentage than businesses as a whole. According to the most recent data of the Active Population Survey (APS), women fill the position of manager in 31.4% of the total number of businesses. Graph 28 also shows that despite the number of managers having decreased in recent years, as a result of the crisis, the presence of women in the post of manager appears to have undergone a growing trend. This fact highlights that times of crisis force businesses to seek the most suitable candidates, free of prejudices. Besides this, according to Informa data (2015)[5], the percentage of women managers in Spanish businesses comes to 14.6%. Methodologically, this source is more comparable with our survey as it only includes trading companies.

5 "Women on boards of directors and decision-making bodies in Spanish businesses," February 2015.

GRAPH 28. NUMBER OF MANAGERS AND GENDER: EVOLUTION 2011-2015



Source: Active Population Survey (APS)

The data show that the gender of the CEO is associated with a greater family participation in the governing bodies, specifically in the Shareholders' Board, with a family participation in these bodies of 80.7% when the CEO is a woman compared with 71.3% in the case of a male CEO (see Table 23). To put it another way, the greater family participation in the above governing body appears to aid the access of women to the most senior position, namely CEO.

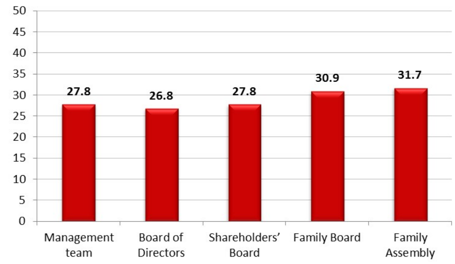
TABLE 23. % FAMILY PARTICIPATION IN GOVERNING BODIES ACCORDING TO CEO GENDER

CEO	Management Team	Board of Directors	Shareholders' Board
Woman	71.6	71.0	80.7
Man	67.9	69.4	71.3
Total	69.2	70.0	74.5

Statistical test: Mean difference. Statistical significance *p<0.1; **p<0.05; ***p<0.01

Below, we analyse the presence of women in the governing bodies of family businesses and their comparison with other businesses, when there are available data. The results are shown in Graph 29.

GRAPH 29. FEMALE PARTICIPATION IN GOVERNING BODIES OF THE FAMILY BUSINESS



If we begin with the bodies associated with the management of the business, it is seen that in the family business, 27.8% of directors are women, with 72.3% of businesses having at least one woman in their team. According to Informa data (2015)[6], only 32.4% of businesses have women in their management teams. Once again we see the greater presence of women in management posts in family businesses.

On average, 26.8% of the members of the Boards of Directors of family businesses are women, while 71.8% of Boards of Directors have at least one woman. Although the majority of Ibex-35 businesses include at least one woman among their members, in none of them do women represent more than 50%. In Spanish family businesses, by contrast, 28.9% of boards have a majority of women.

Informa (2015) analyses compliance with the 207 Equality Act. One of the recommendations is that participation by women on boards of directors should reach a minimum of 40%. The above study concludes that this percentage is reached in 26.3% of the businesses analysed. In the Spanish family business, by contrast, the businesses that comply with this criterion stands at 34.7%.

With regard to the General Shareholders' Board, the ultimate body representing ownership, the presence of women is at around their presence on the management bodies. Finally, with regard to the presence of women in the family management bodies, although their presence is slightly higher than the two previous cases, it is below a third of women. This is especially interesting in bodies where one would suppose that the presence of women should be highly equal and where, traditionally, their relevant role as manager of family emotions is called for.

Our data reveal that the gender of the CEO is clearly and positively associated with a greater presence of women on the governing bodies (Table 24). When the CEO is a woman, there is also a greater proportion of women on the management team (45.3% compared with 18.5% of women when the CEO is a man), board of directors (38.1% compared with 20.5%), shareholders' board (34.3% compared with 24.4%), family board (42.5% compared with 25.8%) and family assembly (43.7% compared with 24.5%).

6 "Women on boards of directors and decision-making bodies in Spanish businesses," February 2015.

TABLE 24. % PARTICIPATION BY WOMEN IN GOVERNING BODIES ACCORDING TO CEO GENDER

CEO	Management Team***	Board of Directors***	Shareholders' Board**	Family Board***	Family Assembly***
Woman	45.3	38.1	34.3	42.5	43.7
Man	18.5	20.5	24.4	25.8	24.5
Total	27.8	26.8	27.8	30.9	31.7

Statistical test: Mean difference.
Statistical significance *p<0.1; **p<0.05; ***p<0.01

Finally, in light of the idea repeatedly produced in reports and in the literature that points to women being at the helm of smaller businesses, in the analyses that we have conducted using our data, we have not found statistically significant differences in this respect.

By contrast, there are differences referring to the life cycle of the business. The data in Table 25 reveal, on the one hand, that finding women at the helm of businesses in the second generation is more probable, and, on the other, that inertias still exist in older businesses that still act as barriers to women accessing management positions.

TABLE 25. WOMEN AS CEO ACCORDING TO GENERATION IN MANAGEMENT

	%
First generation	37.6
Second generation	39.7
Third (or subsequent) generation	20.0
Total	36.9

Statistical test: crossover tables. Statistical significance *p<0.1; **p<0.05; ***p<0.01

To summarise the results obtained in this section, we can say that family businesses have a female presence in the governing bodies of the business that is above that of businesses as a whole. Over a third (37%) of CEOs are women. We also see that there is a significant positive relationship between the presence of women as CEOs and the presence of women in the governing bodies, suggesting that the presence of women in the governing bodies is a first step towards their access to the senior executive responsibilities in a company. In this sense, the family business is an environment where there may be a greater commitment to bringing women in for management and business and family governance tasks.

2.2.4. Knowledge of the tax framework of the family business

In accordance with various recommendations of the European Commission of 1994, 1998 and 2006, practically all of the Member States of the Union (including Spain) have developed their respective tax frameworks (in particular, Inheritance and Gift Taxes) with the aim of aiding the transfer of family businesses and favour their continuation. Very recently (8 September 2015), a new stance has been added to these recommendations, in this case by the European Parliament, which reinforces the previous ones.

However, there are still many more businesses that are not aware of the possibilities offered by the specific family business tax framework. Specifically, over half the family businesses (51.3% of the total) state that they do not know its features. These data are consistent with those obtained from the analysis of tax statistics.

As in the previous section, the following identifies the variables that significantly characterise the businesses that display a higher degree of knowledge with regard to the family business tax framework.
(Table 26).

TABLE 26. VARIABLES THAT INFLUENCE KNOWLEDGE OF THE FB TAX FRAMEWORK

Knowledge of FB tax framework			
	Yes	No	Average
Non-family member CEO*	30.1%	24.4%	27.2%
Existence of a Strategic Plan***	37.5%	23.3%	30.4%
Existence of governing bodies			
Management Team***	75.9%	64.1%	69.9%
Board of Directors*	53.0%	45.8%	49.3%
Shareholders' Board***	41.8%	30.9%	36.2%
Family Board**	34.1%	26.3%	30.1%
Family Assembly**	30.9%	22.1%	26.4%
Transfer of ownership**			
Inheritance	29.1%	19.3%	24.2%
Donations	5.8%	5.3%	5.5%
No plans	61.9%	74.1%	68.1%
Sale	3.1%	1.3%	2.2%
Succession planning			
Existence of succession criteria***	53.1%	35.7%	44.3%
Share valuation method**	16.5%	11.0%	13.8%
Existence of protocol**	11.4%	5.9%	8.6%

The family businesses that are more aware of the existence of this tax framework are the ones with more professional management, in line with all the results obtained in the previous sections. Specifically, they are the ones managed by CEOs who are not members of the owner family and the ones that have a strategic plan. Some 37.5% of businesses that have a strategic plan are aware of the tax framework compared with 23.3% of the ones that do not have one. The concern for the development of management and governing bodies is also associated positively with knowledge of the tax framework. In all cases, when these bodies exist, knowledge of the tax advantages is greater.

Besides this, as could be expected, the effort to plan and manage the transfer of the business equity results in greater knowledge of tax issues. Some 74.1% of the businesses that do not have plans in place for their equity transfer are unaware of the family business tax framework. When they do have plans (inheritance, donations or sale), knowledge of the tax framework is greater.

Something similar occurs in the planning of the management succession. When businesses have set succession criteria and they have share and protocol valuation methods, the knowledge of the tax framework is clearly greater.

In this sense, we can see this higher degree of knowledge among family businesses that have agreed on the selection process criteria, that have a method for valuing shares and, of course, have a protocol.

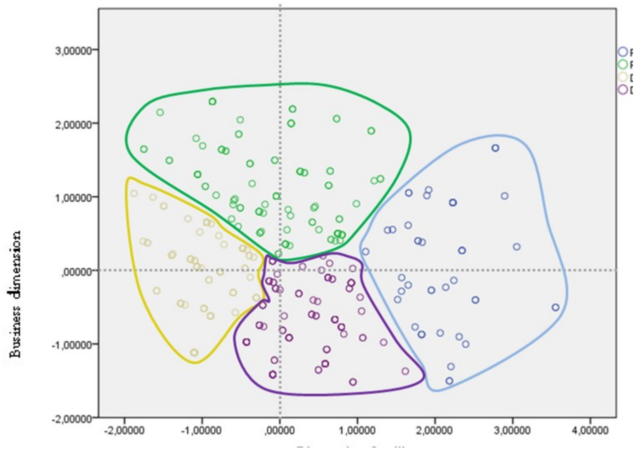
2.2.5. Range of Types of Family Business

Although family businesses display different behaviour compared with other businesses, it is also true to say that in the sphere of the family business, there may be some heterogeneity. With the aim of distinguishing different configurations and orientations in family businesses, a statistical analysis of conglomerates has been conducted that seeks to identify groups of businesses that resemble each other and are different from the rest.

To define the family business types, we have used professionalisation approaches in two dimensions: business and family. The business perspective contemplates the strategic and innovative attitude of the business. Businesses with higher scores in this dimension are the ones that are more dynamic in accessing new markets and sectors, and the ones that are more innovative. The professionalisation of the family perspective translates into a concern for managing family matters with such tools as the protocol, training for family members, share valuation and knowledge of the existing tax benefits. In this case, the highest scores are for businesses that plan the succession in greater detail in both directorial and ownership terms.

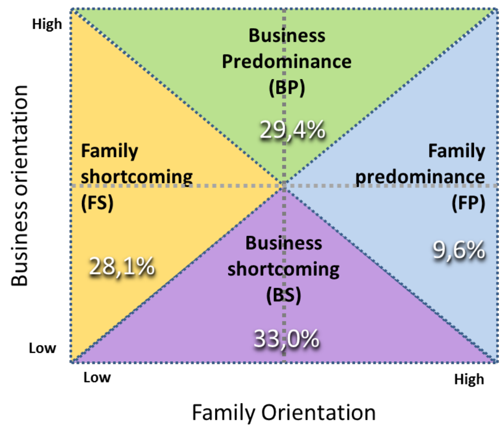
Graph 30 shows the distribution of family businesses in light of the scores in both dimensions, applying the analysis of conglomerates, four types of family business are identified. For a better understanding of the results, the classification of businesses is given in Graph 31 with details of its frequency of appearance.

GRAPH 30. FAMILY BUSINESS TYPES (1)



Family
dimension

GRAPH 31. FAMILY BUSINESS TYPES (1)



The following explains each type:

- *Family businesses with Predominance of the Family dimension (FP).* Only one in ten family businesses are in this category. They are the businesses that show the greatest concern for planning family matters. As regards the business dimension, they are above average, there are businesses that are more dynamic and others more conservative.

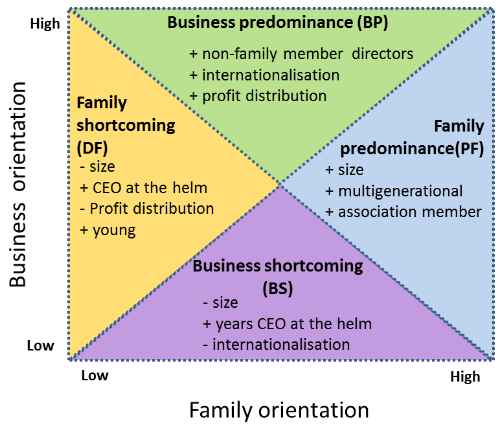
- *Family businesses with Predominance of the Business dimension (BP).* The remaining categories are distributed similarly at around 30% each type. The businesses in this category are the ones that get the highest scores in the business dimension. In the family dimension, behaviour is displayed that is no different from the average.

- *Family businesses with a Shortcoming in the Family dimension (FS).* These are the businesses with the lowest scores in planning the family dimension and with no defined template in the business dimension.

- *Family businesses with a Shortcoming in the Business dimension (BS).* This type of business is characterised fundamentally by a below average behaviour in the business dimension.

Having identified the business types, the next step is the characterisation of each group to see what defines them compared with the rest (Graph 32). Among the different variables covered in this work, we have selected the ones where there are significant differences between businesses of one type compared with businesses in other groups.

GRAPH 32. CHARACTERISATION OF FAMILY BUSINESS TYPES



The businesses in the Family Shortcoming (FS) group are the youngest and smallest. One could believe that they are small businesses where the challenges of the family dimension have not yet been posed, which is why they do not consider these matters. They are businesses led since their creation by the founder, being the ones that distribute profit less.

The businesses in the Business Shortcoming (BS) group also have a CEO with more years of experience at the helm of the business and are smaller. They are different from the FS due to greater attention to family aspects but also a greater lack of care of the business aspects, which leads them to lower levels of internationalisation.

The businesses in the Business Predominance (BP) group are, as a whole, geared towards the business aspects, in fact they have a lesser presence of family directors and they have the highest levels of internationalisation and profit distribution.

The businesses in the Family Predominance (FP) group get the highest scores in the family dimension due to their being more established and concerned with the transfer of the business; they are the larger and more multi-generational businesses and the ones with a greater incidence of being a member of family business associations.

Although more detailed analyses with a time perspective need to be conducted, certain patterns appear to emerge in each group. FS businesses are businesses in evolution pending taking decisions about the family in the business, the possibilities would be to move to any of the other types: if they answer the family aspects properly they would become FP businesses, whereas if they focus primarily on the business aspects they would become BP businesses, however if they focus on the family aspects at the cost of the business aspects they would end up being BS businesses. It is precisely this last type of business that might have the greatest problems. BP businesses are business projects with more potential, in this case we would have to analyse the role that family ownership might play. Finally, FP businesses are the most established businesses and have a culture and tools for the continuation of the family project, the greatest attention would have to be paid to business questions to avoid any type of risk.

2.3. Synthesis

Business

- Size: 29 employees
- Age: 33 years
- Internationalisation: 33%
- Strategic plan: 31%
- Product diversification: 19%
- Market diversification: 28%
- Process innovation: 47%
- Organisational innovation: 54%
- Marketing innovation: 50%

Corporate Governance

- Family ownership: 94%
- Family management: 69%
- Male CEO: 63%
- Owner family CEO: 73%
- CEO years in post: 15 years
- 1st generation (ownership): 54%
- 1st generation (management): 46%
- Board of Directors: 49%
- Family Board: 30%

Succession

- Protocol: 9%
- Succession plan: 36%
- Family member criterion: 73% (with succession plan)
- Transfer of ownership with no plans: 68%

Family dimension

- Family directors training plan: 53%
- Family directors university studies: 45%
- Family directors external experience: 37%
- Annual distribution: 3.6% profit
- Businesses do not distribute profits: 86%
- Businesses with share valuation method: 14%
- Businesses unaware of tax benefits: 51%
- Member of regional associations: 7%

3. Methodology

3.1. Identification of FB and NFB in Spain

To be able to reach the principal objective of this study (estimating the importance of family businesses in the Spanish economy), we began by identifying the number of family businesses in the different size tranches. Specifically, the work was carried out on two levels. First, a detailed analysis of small, medium and large businesses in Spain was conducted, identifying which ones are family businesses and which ones are not. Second, a global estimate of the number of family businesses among micro-businesses was made. The information used was obtained from the SABI database and the Central Business Directory (DIRCE) of the Spanish National Office of Statistics.

3.1.1. Businesses of more than 10 employees or a turnover of more than 2 million euros (level 1)

The Spanish business fabric is dominated by businesses that lack a minimum structure and organisation as a consequence of their small size (micro-business). This is why we felt it appropriate to establish a size level that would enable us to differentiate between one sort and another. For this reason, we took the classification proposed by the European Union as the basis, which defines micro-businesses as ones that have fewer than 10 workers and a turnover and assets of less than 2 million euros[7]. Consequently, the initial analysis focused on businesses with a minimum size, to then look at the case of micro-businesses in a subsequent analysis.

For the detailed analysis of the businesses, a series of criteria was established to identify the population of businesses in the SABI database, which compiles economic and financial information of practically all Spanish businesses in company form, based on the annual accounts registered in the Companies Registers. The businesses were selected individually, not consolidating the different businesses that comprise business groups, with the aim of being able to allocate each business to a specific autonomous community. These criteria were:

- Legal form: Sociedad Anónima (SA) [Limited Company] and Sociedad de Responsabilidad Limitada (SL) [Limited Liability Company].
- Active in 2013.
- Minimum size: turnover of more than 2 million euros a year or a workforce of 10 or more employees in any of the 3 years in the 2011-2013 period.

With the criteria indicated, more than 142,000 businesses were identified in SABI, from which the necessary information for subsequent analyses was extracted. This figure approximates the population according to the values of the Central Business Directory (DIRCE), produced by the Spanish National Office of Statistics (INE). To be able to classify the businesses identified in SABI between family and non-family, a process was followed that included three phases and which is represented in Figure 1.

FIGURE 1. PROCESS OF CLASSIFICATION OF BUSINESSES AS FAMILY AND NON-FAMILY

<table>
<tr><th colspan="2">PHASE 1</th><th colspan="2">PHASE 2</th><th colspan="2">PHASE 3</th></tr>
<tr><td rowspan="4">Sabi filters</td><td>Preliminary classification</td><td>Qualitative purge</td><td>Definitive classification</td><td colspan="2" rowspan="3">Projection of the percentage of family and non-family businesses catalogued as doubtful</td></tr>
<tr><td>FB</td><td>Chairs</td><td>FB</td></tr>
<tr><td>NFB</td><td rowspan="2">Doubtfuls purge</td><td>NFB</td></tr>
<tr><td>?</td><td>?</td><td>FB</td><td>NFB</td></tr>
</table>

7 In our case, with the aim of simplifying criteria, we have only considered the criterion of employees and turnover.

3.1.1.1. Phase I. Automated classification using filters in SABI

In an initial phase, based on similar computerised processes to those employed in prior research (Rojo et al, 2011; Frank et al, 2011; Pindado and Requejo, 2014), the businesses allocated to each Autonomous Community were classified in three categories: Family Businesses, Non-Family Businesses and Doubtful Businesses. This classification has been based on the ownership structure and on the participation of family members on the Board of Directors. This process enables us to classify 76.1% of businesses. The details of this automatic classification process are described below.

For this initial phase, we have analysed in detail the principal previous works that have developed business classification methodologies using SABI or Amadeus, both nationally (Rojo et al, 2011), and internationally (Diéguez, et al., 2014; Pindado & Requejo, 2014; Frank et al, 2011, etc.)[8]. In this stage, the businesses were catalogued according to specific criteria related to: (1) the structure of ownership, and (2) the participation of the family in the governing bodies.

With regard to ownership, the criterion of national regulations was especially considered which gives access to the family business tax system in Wealth Tax and Inheritance and Gift Tax, based on share ownership, according to which the shareholder who is an individual should have 5% individually (or 20% with the family, to the second degree of family business)[9].

One of the fundamental questions when establishing an operational definition of family business lies in the difference between businesses that display a high dispersion in the ownership structure compared with those with a high concentration. These differences are the ones that lead to debate with regard to the percentage that is the most adequate for cataloguing businesses as family ones. In this sense, we believe that applying the same percentages to all businesses is not appropriate, so we have differentiated between two major groups:

A. Concentrated Ownership Businesses: those with a C independence indicator (companies with one registered shareholder with a total percentage or calculated total percentage of ownership of more than 50%) and a D independence indicator (one known shareholder with direct ownership of more than 50%) in SABI.
B. Disperse Ownership Businesses: these would be the ones catalogued in SABI with an A independence indicator (no shareholder possesses more than 25% of direct or total ownership) or B independence indicator (companies that have shareholders without a percentage of ownership – direct, total or calculated total – of more than 50%, but with some with more than 25%).
C. Together with these groups, there are the businesses with unknown ownership type (U).

a) Concentrated Ownership Businesses.

As the ownership is highly concentrated, it does not seem adequate to apply the criteria proposed in the definition of the European Family Businesses Group (EFB) and by the Family Business Network (FBN), especially the ones in the last point, geared towards listed companies. For this reason, for this type of business, we regard family businesses to be the ones in which the family shareholder controls the ownership with a high percentage (50.01%), or in which there are shareholders-directors with a share of more than 50.01%. Similarly, the ones that do not meet this criterion could be considered to be non-family businesses.

b) Disperse Ownership Businesses.

These businesses have fairly disperse ownership, so it would make sense to take as indicators the ones in the Spanish regulations (one individual shareholder with a share in the ownership of 5% or a family with 20%). For this, it is required that these percentages of ownership are met in the category of "One or more individuals or families", from the range of options provided by SABI.

However, by using such a broad criterion of ownership, we believe that it is appropriate to better ensure the criterion of the participation of the shareholders in the governing bodies. Consequently, for those businesses that meet the criterion of ownership, family businesses are considered to be those that also have shareholders-directors with a share in the ownership of more than 20% or administrators who are

8 The proposed methodology more closely resembles the proposal of Rojo and Diéguez, which considers the participation of the family members in the governing bodies, compared with other studies that only consider ownership criteria. The difference is that in this proposal, this consideration is made in two phases: the first is computerised and based on the coincidence of shareholders and administrators, and the second is based on surnames, only for businesses of doubtful classification. In addition, different requirements are established depending on the dispersion of ownership.

9 An estimate has been made with European criteria (25% as opposed to 20%). The figures are practically identical.

individuals and shareholders. Businesses whose principal shareholder is a parent company that, in turn, meets the criteria described above have also been considered to be family businesses.

By contrast, all businesses that do not meet the criterion of ownership would be automatically considered to be non-family businesses. However, those that meet the criterion of ownership but not the governance criterion were catalogued as doubtful as we are not certain that they are non-family businesses.

c) Unknown Ownership Businesses.

This is the most complex group, as there is a lot of information missing about the type of shareholders and their percentages. However, it is possible to classify some of them. Specifically, we have taken the following steps:

In the first place, to see if the shareholders are known, which can be verified with the number of shareholders filter (if it is "0" there is no information about the shareholders; if it is higher than 0 the shareholders are known, but not their percentages of ownership). The ones with a number of shareholders equal to 0 would all go on to doubtful. The ones with a number of shareholders of more than 0 go on to a second filter.

The second filter consists of seeing if they have shareholders-directors with a share in the ownership or administrators who are individuals and shareholders (without indicating percentages as there is no information). If the answer is "yes", they would be catalogued as FB. If the answer is "no", they would go on to doubtful, as they could be family businesses with a professional sole administrator.

To these businesses should be added a small group of companies that do not appear in any of the three categories (disperse, concentrated or unknown ownership).

A summary of the classification process by filters is represented in Figure 2.

FIGURE 2. PROCESS OF CLASSIFICATION OF FAMILY AND NON-FAMILY BUSINESSES

Disperse ownership structure (Sabi A and B independence indicator): no shareholder owns more than 50% of the capital.	One person or family owns more than 5% individually or 20% as a whole.	Yes and	Individual shareholder member of the BoD or shareholders with more than 20% of the capital and director	No	FB
				No	Doubts
		No			NFB
Concentrated ownership structure (Sabi C and D independence indicator): a shareholder owns more than 50% of the capital.	One person or family more than 50% as a whole	Or	Shareholders with more than 50% of the capital and director	No	FB
				No	NFB
Unknown ownership structure (Sabi U independence indicator)	No known shareholder	Or	Individual shareholder member of the BoD	No	FB
	No known shareholder			No	Doubts

3.1.1.2. Phase II. Purging of the initial classification by the Chairs in Family Business of the IEF.

Having obtained the initial classification, the different Chairs in Family Business in each of the Autonomous Communities reviewed each of the three lists for a dual task: (a) try to transfer businesses from the list of doubtfuls to one of the other two; and (2) review the automatic allocations made. The result, as is shown in Table 27, was the classification of 118,943 businesses (83.5% of the total), leaving the rest as doubtful and unclassified (23,711 businesses; 16.6%). The classification between family and non-family businesses gives the result of considering 94,585 businesses as family ones (79.5% of the total businesses classified), compared with 24,358 as non-family businesses (20.5% of the total businesses classified).

This second phase enabled us to reduce the percentage of initially unclassified businesses in Phase I from 23.9% to 16.6%, and to correct errors in the initial automatic classification. This adjustment work was based on two major criteria: (a) the knowledge of each chair of the business fabric of their region, providing a highly relevant qualitative knowledge; and (b) through the analysis of the boards of directors of the businesses along with the names of the businesses. In this sense, we took family businesses to be those whose name featured terms such as "and sons", "family" and "brothers". Also considered to be family businesses are those whose parent company is another family business, irrespective of these parent companies being foreign. The coincidence of surnames on the board of directors also enabled us to identify a high number of family businesses.

TABLE 27. SABI CLASSIFICATION OF BUSINESSES, RESULT OF PHASES I AND II

	SABI businesses	FB	NFB	DOUBTFUL	% FB	% NFB	% DOUBTS
Andalusia	17,051	11,337	1,901	3,813	66.5%	11.1%	22.4%
Aragon	4,596	3,105	1,014	477	67.6%	22.1%	10.4%
Asturias	2,740	2,029	404	307	74.1%	14.7%	11.2%
Balearic Islands	3,816	2,771	427	618	72.6%	11.2%	16.2%
Valencian Community	14,852	10,568	1,655	2,629	71.2%	11.1%	17.7%
Canary Islands	5,190	3,341	683	1,166	64.4%	13.2%	22.5%
Cantabria	1,488	1,108	115	265	74.5%	7.7%	17.8%
Castilla-La Mancha	5,097	3,941	471	685	77.3%	9.2%	13.4%
Castilla y Léon	6,695	4,653	1,065	977	69.5%	15.9%	14.6%
Catalonia	28,943	18,989	5,682	4,272	65.6%	19.6%	14.8%
Extremadura	2,133	1,580	250	303	74.1%	11.7%	14.2%
Galicia	8,202	5,915	918	1,369	72.1%	11.2%	16.7%
La Rioja	1,155	859	159	137	74.4%	13.8%	11.9%
Madrid	25,689	14,798	6,603	4,288	57.6%	25.7%	16.7%
Murcia	4,269	3,119	413	737	73.1%	9.7%	17.3%
Navarre	2,339	1,497	485	357	64.0%	20.7%	15.3%
Basque Country	8,399	4,975	2,113	1,311	59.2%	25.2%	15.6%
Spain	142,654	94,585	24,358	23,711	66.3%	17.1%	16.6%

3.1.1.3. Phase III. Proportional allocation of unclassified businesses

To be able to estimate the total number of family and non-family businesses, a criterion of attribution of the businesses that could not be classified (Doubtful) was adopted. The criterion consisted of distributing the doubtful businesses according to the percentage of each type obtained with the classified businesses, supposing that the doubtful ones would be distributed between family and non-family businesses in a similar way to the classified businesses. With this criterion, the total number of family and non-family businesses by Autonomous Community is as shown in Table 28.

TABLE 28: SABI CLASSIFICATION OF BUSINESSES AS A RESULT OF PHASE III

	Family Businesses	Non-Family Businesses	% Family Businesses	Doubtful Family Businesses	Doubtful Non-Family Businesses	Total Family Businesses	Total Non-Family Businesses	Total Businesses
Andalusia	11,337	1,901	85.6%	3,265	548	14,602	2,449	17,051
Aragon	3,105	1,014	75.4%	360	117	3,465	1,131	4,596
Asturias	2,029	404	83.4%	256	51	2,285	455	2,740
Balearic Islands	2,771	427	86.6%	535	83	3,306	510	3,816
Valencian Community	10,568	1,655	86.5%	2,273	356	12,841	2,011	14,852
Canary Islands	3,341	683	83.0%	968	198	4,309	881	5,190
Cantabria	1,108	115	90.6%	240	25	1,348	140	1,488
Castilla-La	3,941	471	89.3%	612	73	4,553	544	5,097

Mancha								
Castilla y Léon	4,653	1,065	81.4%	795	182	5,448	1,247	6,695
Catalonia	18,989	5,682	77.0%	3,288	984	22,277	6,666	28,943
Extremadura	1,580	250	86.3%	262	41	1,842	291	2,133
Galicia	5,915	918	86.6%	1,185	184	7,100	1,102	8,202
La Rioja	859	159	84.4%	116	21	975	180	1,155
Madrid	14,798	6,603	69.1%	2,965	1,323	17,763	7,926	25,689
Murcia	3,119	413	88.3%	651	86	3,770	499	4,269
Navarre	1,497	485	75.5%	270	87	1,767	572	2,339
Basque Country	4,975	2,113	70.2%	920	391	5,895	2,504	8,399
Spain	94,585	24,358	79.5%	18,961	4,750	113,546	29,108	142,654

3.1.2. Analysis of micro-businesses (level 2)

To find the global estimate of the number of family businesses among micro-businesses (fewer than 10 workers) data obtained from SABI and DIRCE were combined. The procedure only includes Phase I described above, as a large number of businesses in this tranche makes it infeasible to conduct the Phase II qualitative review of lists by the Chairs.

In the first place, we selected the businesses in SABI that met the criterion of size (fewer than 10 employees and a turnover of under 2 million euros) and company type (SA or SL), obtaining information on 242,852 businesses. The same automated filters were applied to these businesses as the ones used for small, medium and large businesses. Owing to the greater lack of data, these filters only enabled us to classify 105,873 (43.6%) businesses, with the rest (136,979 businesses; 56.4%) remaining doubtful. If we look at the businesses classified by the automatic procedure, it turns out that 90% of the classified businesses are family businesses, compared with 10% non-family businesses. The breakdown by Autonomous Community is shown in Table 29.

TABLE 29. SABI CLASSIFICATION OF MICRO-BUSINESSES USING AUTOMATIC FILTERS

	Classified businesses	FB	NFB	FB Percentage
Andalusia	11,597	10,735	862	92.6%
Aragon	3,987	3,575	412	89.7%
Asturias	2,308	2,131	177	92.3%
Balearic Islands	2,710	2,343	367	86.5%
Valencian Community	11,985	10,984	1,001	91.6%
Canary Islands	3,299	2,975	324	90.2%
Cantabria	721	668	53	92.6%
Castilla-La Mancha	4,659	4,424	235	95.0%
Castilla y Léon	5,777	5,361	416	92.8%
Catalonia	22,448	19,484	2,964	86.8%
Extremadura	1,750	1,613	137	92.2%
Galicia	9,593	8,940	653	93.2%
La Rioja	841	748	93	88.9%
Madrid	15,457	13,524	1,933	87.5%
Murcia	2,420	2,253	167	93.1%
Navarre	1,322	1,164	158	88.0%
Basque Country	4,999	4,362	637	87.3%
Spain	105,873	95,284	10,589	90.0%

By not running Phases II and III, we are probably underrating the final number of family businesses among micro-businesses, but we decided to apply the prudent criterion of taking as reference percentage the one derived from the automatic allocation procedure.

Finally, the percentage of classified family businesses was projected on the total number of micro-businesses obtained from DIRCE. The extrapolation to the population of DIRCE micro-businesses manages to portray the Spanish business fabric in the best possible way. In this sense, SABI has a very low percentage of the total number of businesses that appear in DIRCE, given its scant dimension. As DIRCE does not offer a disaggregation by Autonomous Community of the number of businesses by legal form and salary strata, we have had to make an estimate of this piece of data. Consequently, we have taken the total number of businesses with the legal form of SA (limited company) and SL (limited liability company) in each Autonomous Community. The percentage of family and non-family businesses obtained from the SABI sample of micro-businesses corresponding to their Autonomous Community has been applied to this number. And finally, we have subtracted from these numbers the total number of businesses (family and non-family) obtained in the level 1 described above, corresponding to that community, with the aim of avoiding the possible duplication of businesses with fewer than 10 workers and a turnover of under 2 million euros that are included in this initial analysis. This way, we have calculated the total number of family and non-family micro-businesses by Autonomous Community, the values of which are shown in Table 30.

TABLE 30. ESTIMATE OF FAMILY AND NON-FAMILY MICRO-BUSINESSES

	Micro-businesses DIRCE (adjusted)	Percentage FB / NFB	No. Family Micro-Businesses	No. Non-Family Micro-Businesses
Andalusia	151,604	92.6%	140,334	11,270
Aragon	27,465	89.7%	24,627	2,838
Asturias	16,646	92.3%	15,369	1,277
Balearic Islands	30,812	86.5%	26,639	4,173
Valencian Community	130,053	91.6%	119,191	10,862
Canary Islands	48,831	90.2%	44,035	4,796
Cantabria	4,289	92.6%	3,974	315
Castilla-La Mancha	40,992	95.0%	38,924	2,068
Castilla y Léon	23,525	92.8%	21,831	1,694
Catalonia	213,738	86.8%	185,516	28,222
Extremadura	15,436	92.2%	14,228	1,208
Galicia	59,876	93.2%	55,800	4,076
La Rioja	6,148	88.9%	5,468	680
Madrid	225,595	87.5%	197,383	28,212
Murcia	29,149	93.1%	27,137	2,012
Navarre	12,812	88.0%	11,281	1,531
Basque Country	42,016	87.3%	36,662	5,354
Spain	1,078,987	90.0%	971,071	107,916

3.1.3. Global estimate of the number of family businesses (level 1 + level 2)

Integrating the results obtained at both level provides a global estimate of the number of family and non-family businesses among the limited companies and limited liability companies of any size by autonomous community. The result appears in Table 31.

TABLE 31. TOTAL ESTIMATE OF THE NUMBER OF FAMILY AND NON-FAMILY BUSINESSES (SA AND SL)

	SA and SL business with 10 employees or more			SA and SL business with fewer than 10 employees (Micro-businesses)			Total population of businesses (SA and SL)			% total FB
	Fam	Non-Fam	All	Fam	Non-Fam	All	Fam	Non-Fam	All	
Andalusia	14,602	2,449	17,051	140,334	11,270	151,604	154,936	13,719	168,655	91.9%
Aragon	3,465	1,131	4,596	24,627	2,838	27,465	28,091	3,970	32,061	87.6%
Asturias	2,285	455	2,740	15,369	1,277	16,646	17,654	1,732	19,386	91.1%
Balearic Islands	3,306	510	3,816	26,639	4,173	30,812	29,946	4,682	34,628	86.5%
Valencian Community	12,841	2,011	14,852	119,191	10,862	130,053	132,032	12,873	144,905	91.1%
Canary Islands	4,309	881	5,190	44,035	4,796	48,831	48,344	5,677	54,021	89.5%
Cantabria	1,348	140	1,488	3,974	315	4,289	5,322	455	5,777	92.1%
Castilla-La Mancha	4,553	544	5,097	38,924	2,068	40,992	43,477	2,612	46,089	94.3%
Castilla y Léon	5,448	1,247	6,695	21,831	1,694	23,525	27,279	2,941	30,220	90.3%
Catalonia	22,277	6,666	28,943	185,516	28,222	213,738	207,793	34,888	242,681	85.6%

Extremadura	1,842	291	2,133	14,228	1,208	15,436	16,069	1,500	17,569	91.5%
Galicia	7,100	1,102	8,202	55,800	4,076	59,876	62,900	5,178	68,078	92.4%
La Rioja	975	180	1,155	5,468	680	6,148	6,443	860	7,303	88.2%
Madrid	17,763	7,926	25,689	197,383	28,212	225,595	215,146	36,138	251,284	85.6%
Murcia	3,770	499	4,269	27,137	2,012	29,149	30,907	2,511	33,418	92.5%
Navarre	1,767	572	2,339	11,281	1,531	12,812	13,047	2,104	15,151	86.1%
Basque Country	5,895	2,504	8,399	36,662	5,354	42,016	42,557	7,858	50,415	84.4%
Spain	**113,546**	**29,108**	**142,654**	**971,071**	**107,916**	**1,078,987**	**1,084,617**	**137,024**	**1,221,641**	**88.8%**

This estimate leaves two blocks of businesses out. The most important block is the block of businesses that are individuals (known as sole traders). The totality of this category, the largest in terms of numbers of businesses, would probably be considered family businesses. However, the prudent criterion of not including them in this study has been adopted. The "other forms" block however is small and represents only 9.7% of all businesses. Table 32 summarises the importance of each type of business in Spain according to DIRCE information.

TABLE 32. NUMBER OF BUSINESSES BY LEGAL FORM (DIRCE, 2013)

2013	Businesses in DIRCE in 2013	% of Businesses in DIRCE in 2013
Individuals	1,619,614	51.5
SA + SL	1,221,641	38.8
Other forms	305,315	9.7
Total	3,146,570	100.0

Source: DIRCE

In short, all calculations regarding the number and importance of family businesses in Spain were carried out using a prudent criterion which tends to undervalue their number.

3.2. Family businesses in GVA and employment in Spain (2007-2013)

3.2.1. Contribution of family businesses to Spanish GVA

Gross Value Added (GVA), a micro-variable that has a relationship with the GDP macro-variable, was analysed to discover the importance of family businesses taking GDP as a reference. GVA was calculated as the sum of personnel costs, financial costs, the contribution to amortisation of fixed assets, taxes and the financial year result.

As in the case above, to estimate the GVA of Spanish businesses we worked with SABI businesses, differentiating between two large segments, businesses with a minimum of 0 workers or turnover in excess of 2 million euros on the one hand, and, on the other, the remaining smaller businesses (micro-businesses).

For businesses with more than 10 workers or turnover in excess of 2 million, the total GVA of all family and non-family businesses was calculated separately. Similarly, the average GVA was calculated by business (once again separately between family and non-family businesses)[10]. The results are shown in Table 33.

TABLE 33. GROSS VALUE ADDED (GVA). BUSINESSES WITH MORE THAN 10 WORKERS OR TURNOVER IN EXCESS OF 2 MILLION EUROS

	Average GVA Fam.	Average GVA Non-Fam.	Total No. Fam.	Total No. Non-Fam.	Total GVA Fam.	Total GVA Non-Fam.	Total GVA	%
Andalusia	1,114	3,415	11,337	1,901	12,629,418	6,491,915	19,121,333	66.0%
Aragon	1,211	2,583	3,105	1,014	3,760,155	2,619,162	6,379,317	58.9%
Asturias	1,367	8,083	2,029	404	2,773,643	3,265,532	6,039,175	45.9%
Balearic Islands	1,626	4,335	2,771	427	4,505,646	1,851,045	6,356,691	70.9%
Valencian Community	1,509	3,679	10,568	1,655	15,947,112	6,088,745	22,035,857	72.4%
Canary Islands	1,371	3,772	3,341	683	4,580,511	2,576,276	7,156,787	64.0%
Cantabria	1,076	8,308	1,108	115	1,192,208	955,420	2,147,628	55.5%
Castilla-La Mancha	701	3,491	3,941	471	2,762,641	1,644,261	4,406,902	62.7%
Castilla y Léon	1,015	2,964	4,653	1,065	4,722,795	3,156,660	7,879,455	59.9%
Catalonia	1,606	5,389	18,989	5,682	30,496,334	30,620,298	61,116,632	49.9%
Extremadura	657	1,544	1,580	250	1,038,060	386,000	1,424,060	72.9%
Galicia	2,236	2,867	5,915	918	13,225,940	2,631,906	15,857,846	83.4%
La Rioja	1,139	2,533	859	159	978,401	402,747	1,381,148	70.8%
Madrid	2,907	14,790	14,798	6,603	43,017,786	97,658,370	140,676,156	30.6%
Murcia	1,164	2,829	3,119	413	3,630,516	1,168,377	4,798,893	75.7%
Navarre	1,064	6,122	1,497	485	1,592,808	2,969,170	4,561,978	34.9%
Basque Country	1,571	7,715	4,975	2,113	7,815,725	16,301,795	24,117,520	32.4%
Spain	1,636	7,412	94,585	24,358	154,669,699	180,787,679	335,457,378	46.1%

The next step was to calculate the GVA of the micro-businesses. The following process was followed to achieve this. First, the GVA of the micro-businesses about which there is information in SABI (105,873 businesses) was calculated, separately by each Autonomous Community and for family and non-family businesses groups. The average GVA for each business group was calculated using this value. Third, these average GVA have been applied to the family and non-family businesses population (always with limited and limited liability company form) for each Autonomous Community and in the corresponding proportion for family and non-family businesses calculated in the demographics section[11]. This application helps estimate the GVA of all family and non-family micro-businesses for each Autonomous Community. A summary of the calculations is set out in Table 34.

[10] For this calculation, we did not consider the group of businesses classified as doubtful during the initial stages of the study, as there is a significant dispersion in GVA values in the larger businesses segment and, therefore, allocating average values may distort the results.

11 As with the number of businesses, businesses with fewer than 10 workers or turnover in excess of 2 million have been subtracted from the DIRCE micro-businesses population and have already been included in the large, small and medium businesses segment, so as not to duplicate information.

TABLE 34. GROSS VALUE ADDED (GVA). MICRO-BUSINESSES

	Average GVA Family Businesses	Average GVA Non-Family Businesses	Total No. Family Businesses (adjusted)	Total No. Non-Family Businesses (adjusted)	Total GVA Family Businesses (adjusted)	Total GVA Non-Family Businesses (adjusted)	Total GVA	%
Andalusia	92	54	140,334	11,270	**12,976,260**	**606,515**	**13,582,775**	95.5%
Aragon	119	150	24,627	2,838	**2,939,540**	**426,159**	**3,365,699**	87.3%
Asturias	108	207	15,369	1,277	**1,662,314**	**264,403**	**1,926,717**	86.3%
Balearic Islands	163	172	26,639	4,173	**4,351,678**	**717,749**	**5,069,427**	85.8%
Valencian Community	102	232	119,191	10,862	**12,190,171**	**2,523,484**	**14,713,655**	82.8%
Canary Islands	111	189	44,035	4,796	**4,876,128**	**906,578**	**5,782,706**	84.3%
Cantabria	107	145	3,974	315	**425,604**	**45,668**	**471,272**	90.3%
Castilla-La Mancha	76	148	38,924	2,068	**2,950,975**	**306,503**	**3,257,478**	90.6%
Castilla y Léon	98	206	21,831	1,694	**2,150,271**	**348,424**	**2,498,695**	86.1%
Catalonia	138	155	185,516	28,222	**25,529,361**	**4,360,577**	**29,889,938**	85.4%
Extremadura	100	70	14,228	1,208	**1,429,127**	**84,766**	**1,513,892**	94.4%
Galicia	83	125	55,800	4,076	**4,625,950**	**508,980**	**5,134,930**	90.1%
La Rioja	99	184	5,468	680	**543,597**	**125,321**	**668,918**	81.3%
Madrid	112	118	197,383	28,212	**22,064,554**	**3,333,762**	**25,398,316**	86.9%
Murcia	90	82	27,137	2,012	**2,442,216**	**164,547**	**2,606,764**	93.7%
Navarre	150	199	11,281	1,531	**1,697,745**	**305,230**	**2,002,975**	84.8%
Basque Country	139	214	36,662	5,354	**5,109,781**	**1,147,922**	**6,257,703**	81.7%
Spain	**111**	**152**	**971,071**	**107,916**	**107,791,905**	**16,370,746**	**124,162,651**	**86.8%**

From this point on, both segments together can be added together and an estimated GVA of all limited and limited liability companies in Spain obtained (Table 35).

TABLE 35. GROSS VALUE ADDED (GVA). TOTAL BUSINESSES[12]

	GVA Micro FB	GVA Micro NFB	GVA Rest FB	GVA Rest NFB	GVA Total Family Businesses	GVA Total Non-Family Businesses	GVA Total	%

12 Calculations made using the estimated GVA of the businesses that are below the national and regional GDP (459,620 compared with 744,207). This constitutes a global imbalance of a little over 30% of what is required (although it differs significantly by Autonomous Community, among other things, as the allocation of the businesses to each Autonomous Community is rather complex. Consider what allocating all Telefónica or Repsol to the Community of Madrid means). Similarly, the imbalance may have to mean leaving out all the businesses that we have not been able to allocate in the family and non-family businesses categories that do not have the form of limited or limited liability company and which sole traders do not have either.

Andalusia	12,976,260	606,515	12,629,418	6,491,915	25,605,678	7,098,430	**32,704,108**	78.3%
Aragon	2,939,540	426,159	3,760,155	2,619,162	6,699,695	3,045,321	**9,745,016**	68.7%
Asturias	1,662,314	264,403	2,773,643	3,265,532	4,435,957	3,529,935	**7,965,892**	55.7%
Balearic Islands	4,351,678	717,749	4,505,646	1,851,045	8,857,324	2,568,794	**11,426,118**	77.5%
Valencian Community	12,190,171	2,523,484	15,947,112	6,088,745	28,137,283	8,612,229	**36,749,512**	76.6%
Canary Islands	4,876,128	906,578	4,580,511	2,576,276	9,456,639	3,482,854	**12,939,493**	73.1%
Cantabria	425,604	45,668	1,192,208	955,420	1,617,812	1,001,088	**2,618,900**	61.8%
Castilla-La Mancha	2,950,975	306,503	2,762,641	1,644,261	5,713,616	1,950,764	**7,664,380**	74.5%
Castilla y Léon	2,150,271	348,424	4,722,795	3,156,660	6,873,066	3,505,084	**10,378,150**	66.2%
Catalonia	25,529,361	4,360,577	30,496,334	30,620,298	56,025,695	34,980,875	**91,006,570**	61.6%
Extremadura	1,429,127	84,766	1,038,060	386,000	2,467,187	470,766	**2,937,952**	84.0%
Galicia	4,625,950	508,980	13,225,940	2,631,906	17,851,890	3,140,886	**20,992,776**	85.0%
La Rioja	543,597	125,321	978,401	402,747	1,521,998	528,068	**2,050,066**	74.2%
Madrid	22,064,554	3,333,762	43,017,786	97,658,370	65,082,340	100,992,132	**166,074,472**	39.2%
Murcia	2,442,216	164,547	3,630,516	1,168,377	6,072,732	1,332,924	**7,405,657**	82.0%
Navarre	1,697,745	305,230	1,592,808	2,969,170	3,290,553	3,274,400	**6,564,953**	50.1%
Basque Country	5,109,781	1,147,922	7,815,725	16,301,795	12,925,506	17,449,717	**30,375,223**	42.6%
Spain	**107,791,905**	**16,370,746**	**154,669,699**	**180,787,679**	**262,461,604**	**197,158,425**	**459,620,029**	**57.1%**

3.2.2. Contribution of family businesses to employment in Spain

To calculate the employment created by family and non-family businesses, we have followed an almost identical procedure to the one above. We have made a distinction between the two large segments above.

For businesses with more than 10 workers or turnover in excess of 2 million, the employment created by all family and non-family businesses was calculated separately. Obtaining an average number of workers by business (once again separately between family and non-family businesses). These calculations provide an estimate of the number of workers of businesses in this segment[13]. Table 36 summarises these calculations.

TABLE 36: EMPLOYMENT GENERATED. BUSINESSES WITH MORE THAN 10 WORKERS OR MORE THAN 2 MILLION EUROS TURNOVER

	Average workers Family	Average workers Non-Family	Total No. Family	Total No. Non-Family	Workers Total Family	Workers Total Non-Family	Workers Total	%
Andalusia	26	61	11,337	1,901	294,762	115,961	410,723	71.8%
Aragon	27	60	3,105	1,014	83,835	60,840	144,675	57.9%
Asturias	34	65	2,029	404	68,986	26,260	95,246	72.4%
Balearic Islands	35	65	2,771	427	96,985	27,755	124,740	77.7%
Valencian Community	35	61	10,568	1,655	369,880	100,955	470,835	78.6%
Canary Islands	35	73	3,341	683	116,935	49,859	166,794	70.1%
Cantabria	30	76	1,108	115	33,240	8,740	41,980	79.2%
Castilla-La Mancha	19	59	3,941	471	74,879	27,789	102,668	72.9%
Castilla y Léon	24	59	4,653	1,065	111,672	62,835	174,507	64.0%
Catalonia	33	86	18,989	5,682	626,637	488,652	1,115,289	56.2%

13 Since this variable has a greater proportion of lost cases. after calculating the percentages corresponding to the importance of employment among family and non-family businesses with businesses with information, they have been allocated proportionally to the businesses without data to get the absolute number of workers by Autonomous Community and type (family and non-family). However, we have not considered doubtful businesses for the same reason when estimating the GVA, due to the great dispersion in the variable in the segments of greater size, which can considerably distort the results.

Extremadura	22	42	1,580	250	34,760	10,500	45,260	76.8%
Galicia	37	53	5,915	918	218,855	48,654	267,509	81.8%
La Rioja	25	42	859	159	21,475	6,678	28,153	76.3%
Madrid	65	182	14,798	6,603	961,870	1,201,746	2,163,616	44.5%
Murcia	32	64	3,119	413	99,808	26,432	126,240	79.1%
Navarre	30	86	1,497	485	44,910	41,710	86,620	51.8%
Basque Country	35	**79**	4,975	2,113	174,125	166,927	341,052	51.1%
Spain	**36**	**100**	**94,585**	**29,214**	**3,405,060**	**2,921,371**	**6,326,431**	**53.8%**

We then estimated employment with micro-businesses. To do so, we followed the same process as with the calculation of the GVA. After calculating the total number of workers in the micro-businesses for which there is information in SABI, the average employment for each group of businesses has been obtained. We then applied these average values to the population of micro-businesses in each Autonomous Community and in the proportion corresponding to the two types of business (family and non-family)[14]. This application enables us to estimate the total number of workers in the family and non-family micro-businesses by each Autonomous Community. A summary of the previous calculations is represented in Table 37.

And as before, all that remains now is to add together both segments to be able to get an estimate of the employment generated by all the family and non-family businesses with the form of SA (limited company) and SL (limited liability company) in Spain (Table 38).

TABLE 37. EMPLOYMENT GENERATED. MICRO-BUSINESSES

	Average workers Family	Average workers Non-Family	Total No. Family (adjusted)	Total No. Non-Family (adjusted)	Workers Total Family (adjusted)	Workers Total Non-Family (adjusted)	Workers Total (adjusted)	%
Andalusia	3.31	3.47	140,334	11,270	463,893	39,066	**502,959**	92.2%
Aragon	3.29	3.11	24,627	2,838	81,079	8,824	**89,904**	90.2%
Asturias	3.21	3.56	15,369	1,277	49,303	4,544	**53,847**	91.6%
Balearic Islands	3.44	3.45	26,639	4,173	91,538	14,383	**105,921**	86.4%
Valencian Community	3.24	3.31	119,191	10,862	385,818	35,905	**421,723**	91.5%
Canary Islands	3.40	2.94	44,035	4,796	149,641	14,116	**163,757**	91.4%
Cantabria	3.22	3.30	3,974	315	12,813	1,040	**13,853**	92.5%
Castilla-La Mancha	3.30	3.23	38,924	2,068	128,564	6,685	**135,249**	95.1%
Castilla y Léon	3.30	3.23	21,831	1,694	72,031	5,471	**77,502**	92.9%
Catalonia	3.31	3.21	185,516	28,222	613,535	90,727	**704,261**	87.1%
Extremadura	3.34	3.19	14,228	1,208	47,561	3,855	**51,415**	92.5%
Galicia	3.14	3.42	55,800	4,076	175,228	13,950	**189,178**	92.6%
La Rioja	3.42	3.47	5,468	680	18,685	2,361	**21,046**	88.8%

14 Again we have avoided duplicating the businesses with fewer than 10 workers and a turnover of more than 2 million euros, using the same procedure as in the calculation of the GVA.

Madrid	3.12	3.27	197,383	28,212	616,187	92,328	**708,515**	87.0%
Murcia	3.41	3.37	27,137	2,012	92,542	6,769	**99,311**	93.2%
Navarre	3.32	3.70	11,281	1,531	37,409	5,660	**43,068**	86.9%
Basque Country	3.41	3.46	36,662	5,354	125,039	18,533	**143,572**	87.1%
Spain	**3.27**	**3.30**	**971,071**	**107,916**	**3,172,450**	**356,432**	**3,528,882**	**89.9%**

TABLE 38. EMPLOYMENT GENERATED. ALL BUSINESSES

	Employment Micro Family	Employment Micro Non-Family	Employment Rest Family	Employment Rest Non-Family	Employment Total Family	Employment Total Non-Family	Employment Total	%
Andalusia	463,893	39,066	294,762	115,961	758,655	155,027	**913,682**	83.0%
Aragon	81,079	8,824	83,835	60,840	164,914	69,664	**234,579**	70.3%
Asturias	49,303	4,544	68,986	26,260	118,289	30,804	**149,093**	79.3%
Balearic Islands	91,538	14,383	96,985	27,755	188,523	42,138	**230,661**	81.7%
Valencian Community	385,818	35,905	369,880	100,955	755,698	136,860	**892,558**	84.7%
Canary Islands	149,641	14,116	116,935	49,859	266,576	63,975	**330,551**	80.6%
Cantabria	12,813	1,040	33,240	8,740	46,053	9,780	**55,833**	82.5%
Castilla-La Mancha	128,564	6,685	74,879	27,789	203,443	34,474	**237,917**	85.5%
Castilla y Léon	72,031	5,471	111,672	62,835	183,703	68,306	**252,009**	72.9%
Catalonia	613,535	90,727	626,637	488,652	1,240,172	579,379	**1,819,550**	68.2%
Extremadura	47,561	3,855	34,760	10,500	82,321	14,355	**96,675**	85.2%
Galicia	175,228	13,950	218,855	48,654	394,083	62,604	**456,687**	86.3%
La Rioja	18,685	2,361	21,475	6,678	40,160	9,039	**49,199**	81.6%
Madrid	616,187	92,328	961,870	1,201,746	1,578,057	1,294,074	**2,872,131**	54.9%
Murcia	92,542	6,769	99,808	26,432	192,350	33,201	**225,551**	85.3%
Navarre	37,409	5,660	44,910	41,710	82,319	47,370	**129,688**	63.5%
Basque Country	125,039	18,533	174,125	166,927	299,164	185,460	**484,624**	61.7%
Spain	**3,172,450**	**356,432**	**3,405,060**	**2,921,371**	**6,577,510**	**3,277,803**	**9,855,312**	**66.7%**

3.3. Record of the survey for a snapshot of the Spanish family business

- Universe: Spanish family businesses
- Scope: National
- Sample: 529 interviews with an error of ±4.2 for a 95.5% confidence level and p=q=50
- Selection: random on the basis of family business data
- Reporter: CEO or equivalent
- Questionnaire: structured
- Interview: By telephone using CATI system
- Field work: May and June 2015
- Conducted by: Sigma Dos

3.4. Questionnaire

I. CEO AND BUSINESS DETAILS

1. - Gender of the CEO:

☐ Man ☐ Woman

2. - No. of years in the post of CEO: ....

3. - Is the CEO a member of the family/owner of the business?:

☐ Yes ☐ No

4. - Give the year when the business that gave rise to the company was founded:.................................

II. BUSINESS DIMENSION

5- Is there a written Strategic Plan for the Business for the medium and long term?

☐ Yes ☐ No

6.- Approximate distribution of turnover in the following markets:

Regional: ....%
Rest of the national market: .... %
International..% *(YES or GO ON TO Q9)*

7.- To what areas does your business export?

☐ Europe ☐ USA ☐ Canada ☐ Latin America ☐ Africa
☐ Asia ☐ Others

8.- Indicate what form or forms the international management of your business takes

☐ By export ☐ With strategic alliances
☐ Through direct investment ☐ Others:

9.- In the last 3 years, your business Yes No

Has entered new businesses/sectors
Has entered new markets
Has introduced new or significantly improved goods or services
Has introduced new or significantly improves manufacturing methods,
logistics systems or support activities (IT, purchasing, etc.)
Has implemented new organisational methods
(procedures, work organisation, external relations)
Has implemented new commercial concepts (packaging, promotion, channels, prices)

III. FAMILY NATURE

10. - Indicate the proportion of family ownership: ....%

11. - What generation is the owner of the business?..........................

12. - What generation(s) manage(s) the business?.....................

13. - With regard to the governing bodies of your business...

	It exists		% Women	% Family Members
	Yes	No		
Management team				
Board of Directors				
Shareholders' Board				
Family Board				
Family Assembly				

IV. FAMILY PROTOCOL

14.- Do you have a written family protocol?

Yes	No, but one is being produced	No, but we are thinking of it	No, because we do not consider it necessary	No, I don't know what it is

(if they do NOT have a family protocol, go to Q18)

15.- Since when have you had a family protocol?..

16.- How many times has it been revised?.

17.- When was the last revision?

18.- Indicate the aspects included in the family protocol. If you do not have a protocol, indicate the questions that should be included:

	Yes	No
Restrictions on the transfer of shares/stocks to third persons		
Share/stock valuation methods		
Rules on the incorporation and departure of family members in the business		
Rules for the promotion of family members		
Rules for the remuneration of family members		
Rules on retirement (age, remuneration, role in the business)		
Existence of will contracts		
Rules for marital systems		
Signed by all the members of the family		
Signed by in-laws		

V. SUCCESSION

19.- Is there an agreement on the succession process of the main manager of the business?

☐ Yes ☐ Yes, we are in the process ☐ No

20.- Are there objective criteria for choosing the successor?

☐ Yes ☐ No *(Go on to Q22)*

21. - What are they?

☐ It should be one of the owners or a family member of the owners
☐ University education
☐ Postgraduate qualification in a business school
☐ Professional experience in the business
☐ Professional experience outside the business
☐ Other (indicate what)..

22. - The majority shareholder(s) will transfer their share to their descendants:

☐ By inheritance
☐ By donations
☐ They will sell their share to other persons or businesses
☐ They have no plans in this respect

23- There are agreements in the articles of incorporation that limit the free transfer of shares/stocks:

☐ Yes ☐ No

VI. MANAGEMENT OF THE FAMILY DIMENSION

24. - Is there a specific training plan (both for family members and non-family members)?

☐ Yes ☐ No

25. - Of the family members in managerial posts, indicate the percentage that have a university education or similar (master's, postgraduate, etc.):

26. - Of the family members in managerial posts, indicate the percentage that have worked in other businesses:

27. - Percentage of profits that the business has distributed in the last two years:..............................%

28. - Have the owners agreed on a method for annually valuing their shares/stocks?

☐ Yes ☐ No *(Go on to Q30)*

29. - How?

☐ According to the book value
☐ As a profit multiple
☐ To be done by an expert
☐ Based on the discounted cash flow
☐ Other:

30. - Do you now the tax benefits of family businesses?

☐ Yes ☐ No

VII. CHALLENGES OF THE FAMILY BUSINESS

31. - What are the greatest challenges for your business?

☐ The succession of the business
☐ Professionalisation of management
☐ The growth of the business
☐ The internationalisation of the business
☐ Innovation
☐ Organising the corporate governance
☐ The economic situation
☐ The survival of the business

32. - Do you think that being a family business is a help or a hindrance?

a. Advantages: ....
b. Drawbacks: ....

33. - Are you a member of the regional family business association?

☐ Yes ☐ No

34.**- What benefits do you get from being a member of this association?**

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5. Table of abbreviations

AAPP	Public Administrations
APS	Active Population Survey
CC.AA.	Autonomous Communities
CCLL	Local Corporations
CNAE	National Classification of Economic Activities
CPI	Consumer Price Index
ECB	European Central Bank
EDP	Excessive Deficit Procedure
EELL	Local Agencies
EMU	Economic and Monetary Union
ESA 95	European System of Accounts
EU	European Union
EUROSTAT	Office statistique de l'Union européenne
GDP	Gross Domestic Product
GVA	Gross Value Added
IMF	International Monetary Fund
IGAE	General State Administration Audit Office
INE	Office of National Statistics
MEH	Ministry of Economy and the Treasury
OOAA	Regional Agencies
OECD	Organisation for Economic Cooperation and Development
PGE	General State Budgets
SS	Social Security
%	Percentage or per cent
□	Euro

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