DELIMITATION, DESCRIPTION AND SUCCESS FACTORS OF FAMILY BUSINESSES IN SPAIN. A EUROPEAN COMPARISON

María José CHARLO[*]
Miriam NÚÑEZ
Mercedes SÁNCHEZ-APELLÁNIZ

Abstract
The aim of this paper is to delimit the concept of family business and based on it to provide a profile of large and medium-sized family businesses in Spain. We will analyze their distinctive characteristics by comparing them to non-family businesses and focus on the study of a series of economic-financial variables in order to identify their key success factors as compared to non-family businesses of the same sizes and in the same geographical areas. The paper also includes a comparative study of Spanish and European family businesses.

Key words: Family business, Medium-sized and large, Conceptual delimitations, European family business
JEL classification: M19, M29

1. Introduction

Family businesses are the main driver for wealth generation in free market economies. According to the Ministry of Industry there are more than two million family businesses in Spain and they account for 65 to 70% of the Gross Domestic Product (GDP) and some 75% of private employment: close to nine million people work for them, including more than 1.5 million self-employed workers[1].

The activity of family business (hereinafter FB) has got as considerable impact on the Spanish economy, resulting in the great interest raised by research studies addressing the issues typical from this type of businesses. Such interest is not limited to Spain, since according to Basu (2004) family businesses account for two thirds of the business fabric worldwide, with an even greater relevance in the United States and Europe. Indeed, in Europe 80% of all enterprises could be considered as family businesses.

Considering the importance of this type of enterprises in the business fabric and taking into account the current difficulties and lack of criteria to delimit them accurately in order to perform reliable comparative analyses, the aim of this paper is to present a methodology to make such identification possible. To this end we will resort to definitions widely accepted by the international academic community as the use of some indicators; these aspects will be addressed in sections 2 to 4 of this paper (and in the ANNEX). Section 5 will present the main results obtained by the application of the methodology, evidencing the key success factors in family businesses as compared to non-family businesses comparable in terms of size and geographic location. The last section of this paper includes the main findings reached in the research work.

[*] Faculty of Economics, University of Sevilla (Spain)

[1] According to the *Directorio Central de Empresas* (DIRCE, 2015) there were 3.186.878 registered companies in Spain on 1 January 2015.

2. Delimitation of the concept of family business

One of the main challenges in studying FBs is identifying the main features defining this type of business. The concept of FB covers a whole range of enterprises of different sizes belonging to multiple sectors. In the specialized literature, we can find a long list of definitions to describe these organizations (see, for example, a list of definitions in Neubauer and Lank, 1998, pp. 53-55; Hermann et al., 2010; Family Firm Institute, 2014). The main features to take into account to differentiate them from non-family businesses relate to family ownership, its involvement in management and strategic control, the fact that the business is the main source of income for the family in a long-term horizon, and the desire to transfer it to the next generation.

The conceptual heterogeneity resulting from the impreciseness associated to the terms business and family, together with the fact that each country has established its own FB definition, has limited the usefulness of the information supplied by research studies on this type of businesses, especially when it comes to producing comparable and reliable statistics on the sector. Shanker and Astrachan (1996, 2003) have proposed an integrated FB definition addressing the concept from three different perspectives:

A. *In the broad sense,* an enterprise is considered a family business if control of strategic decisions is held by family members and if there is an explicit desire to keep such control in the future.

B. *In the strict sense,* an enterprise is considered a FB only when the family holds ownership and management in a significant manner, which applies to more than one generation in the same family.

C. *From and intermediate perspective.* A FB is an enterprise in which either its founder/s or their descendants control the business and its strategic decisions, meaning that one or more family members in addition to holding ownership perform management tasks (this is compatible with management being professional).

A very important element to differentiate FBs from non-family businesses would be the family-related organizational culture, i.e. the relationships established between family and business in the economic, administrative, management and sociological fields. Cabrera-Suárez et al (2001) have coined the term “familiness” to label such feature, comprising the set of resources and skills resulting from family involvements. Notwithstanding, being it a qualitative and intangible consideration it is rarely used because it is difficult to obtain (sometimes the definition is drawn from the own perception of employers by means of interviews).

In order to overcome the ambiguity associated to the so-called soft data or process (cultural) elements in the conceptual delimitation of FBs as opposed to non-family businesses, Gallo (1997) has proposed to focus on three easily observable elements that should be present in any FB definition.

➢ *Ownership* (associated to the ownership of equity): Effective control of non-economic or voting rights. When the enterprise takes the form of a limited company, the family holds enough power to control the corporate activities (a majority of shares).

➢ *Power* (associated to effective management): One or more family members devote their entire work life or a significant part of it to work at the business, usually holding management positions and/or as directors.

➢ *Continuity* (associated to transfer to the next generation): At least the second generation of the family has become actively involved in the firm, evidencing the intention to transferring business ownership and control to the next generation, and thus extending family values into the business.

The use of hard indicators (also known as structural elements) in the definition of FB, such as those based on ownership and control of management or strategic control exceeds the limitations mentioned above regarding comparability of the information gathered. This is why there are many FB definitions that pivot around at least two of the three axes identified by Gallo (1997). Thus, Dyer (1986) considers that it is a family business if ownership or management decisions depend from the relationships among members of one or more families. Gallo and Sveen (1991) refine the definition further in classifying as FBs all those enterprises in which a family holds a majority of equity and control, with an active involvement of family members in the strategic management of the business. Davis (1983) defines FBs based on the influence of one or more families have on ownership and management. Finally, Kelly *et al* (2000) define FBs as those in which the family holds a majority ownership and control (more than 50% of the voting rights).

If we include considering the transfer to the next generation in the equation, scholars such as Gallo (1997) identifies in a FB a clear commitment to evolution and growth and a preservation of ownership and power in the hands of the same family. Along the same line, Cabrera-Suárez *et al* (2001) consider that a FB is an enterprise in which the relationships resulting from ownership and management control are based on family links and in which a transit to the next generation has taken place or there is a desire to transfer it to a member of the next generation of the family. Gallo and Sveen (1991) define it as an organization in which a family owns all or a majority of the shares and in which family members are actively involved in the management of the business holding different responsibility positions. In turn, in the FB definition proposed by Channon (1973) the following circumstances must come together: family members shall be present in the board of directors, at least two generations have held control, and at least 5% of the shares must be owned by the family. Finally, Astrachan and Kolenko (1994) incorporate the distinction between listed and unlisted companies when establishing the criteria a FB must meet. Thus, a listed company is considered a FB if the family owns more than 10% of the share capital, whereas in unlisted companies the percentage increases to 50%. In addition to the ownership requirement, according to these authors a FB must have one or more members of the family holding shares working at the firm, and the owners must have declared their desire to transfer the business to the next family generation or just consider their firm as a FB.

In view of the difficulties resulting from the lack of consensus in defining a FB, European Family Businesses (European Commission, 2009; European Economic and Social Committee, 2016) has established the characteristics a business should have in order to be considered as a FB. Its purpose is to set a common standard allowing for the production of statistics and comparisons (either with non-family businesses or between FB of different countries). Thus, it is considered that a firm, of any size is a family business, if:

1.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, parent, child or children's direct heirs.

2. The majority of decision-making rights are indirect o direct (owned by them or through other firms owned by family members).
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. 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.

This definition is based on the one proposed by the Finish Working Group on Family Entrepreneurship, set up by the Ministry of Trade and Industry of Finland in 2006. It establishes in paragraph 4 that for a listed company meet the definition of family business at least family members must own 25% of its share capital. This is due to the fact that in listed companies there tends to be a large number of shareholders and therefore, the largest shareholder (or group of shareholders) usually holds less than 50% of the voting rights, which is frequently enough to have a significant influence in key aspects of corporate governance.

It is worth mentioning that enterprises that have not undergone the transition to the next generation, as well as individual owners and self-employed workers are classified as FB. Thus, two recommendations should be taken into account in defining the characteristics of FBs:

- ➢ Most European enterprises, especially Small and Medium-sized Enterprises (hereinafter SMEs) are FB. Therefore, the general characteristics of SMEs will also apply to FB.
- ➢ The status of FB does not have to be static or stable over time; it may change from FB to non-family business over the business' life cycle. For example, an enterprise may start as a FB; it may change later to a non-family business and end up being a FB again. The question is whether such evolution entails a similar change of corporate characteristics as well.

Regarding the first remark, the definition of SME can be drawn from the Commission Recommendation 2003/361/EC of 6 May 2003 (OJ L 124, 20.5.2003). This states that entity engaged in economic activities, regardless of its legal form, should be considered an enterprise, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities (Article 1). Article 2 establishes that the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million; and a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Whereas the official definition of SME establishes maximum thresholds in terms of employment, annual turnover and balance sheet, in this paper we shall consider that microenterprises and the cases of self-employment should be excluded from the FB population; for this reason, we shall establish first a series of minimum requirements. Thus, the study will focus on family-owned enterprises with more than 10 employees, an annual turnover of more than EUR 10 million and assets of more than EUR 20 million.

3. Methodology

3.1. Conceptual delimitation of the family business

At previously mentioned, and according to EFB (European Family Businesses, 2013)2, there is still a lack of robust data, due partly to the lack of an accepted European-wide operational definition of the family business. The Expert Group on Family Business led by the European Commission in 2009 highlighted the complexity of reaching a commonly agreed definition: *"the study identified more than 90 definitions, which shows that even within the same country several different definitions can be used. They take into account many aspects, such as family ownership, involvement of the management, strategic control, business as the main source of income for the family and intergenerational transfers"* (European Commission, 2009, p.9)

As noted by EFB (2013) since the publication of the expert group report and definition, none of the EU's 28 Member States have adopted the definition, or used it for the purposes of the data collection, or improving their respective understanding of the sector in their country. Only a limited amount of private studies has been carried out using the Expert Group definition. Many national family business associations have noted that their respective statistical offices have pointed to the fact that the definition is simply too complex for the purpose of data collection. In addition, in a time of austerity across the European Union, many statistical offices are reluctant to undertake this endeavor.

The Expert Group report stated that *"In order to be useful, the definition must be simple, clear and easily applicable. It should enable statistics to be produced on the sector (e.g. contribution of family businesses to employment, total turnover of family businesses) and should be comparable between countries"* (European Commission, 2009, p. 9).

Unfortunately, the Expert Group definition did not have the desired effect of improving Europe's understanding of the family business sector by the collection of regular robust data. It is still crucial for Europe to improve its knowledge on this important sector by the collection of regular robust data (EFB, 2013). The group acknowledges the importance of family business for the economy and business as well as policy (Degadt, 2012) *"Family firms are important, not only because they make an essential contribution to the economy, but also because of the long-term stability they bring, the specific commitment they show to local communities, the responsibility they feel as owners and the values they stand for. These are precious factors against the backdrop of the current financial crisis"* (European Commission, 2009, p. 22).

Devising a commonly accepted definition of a family business is essential to gain a clear and internationally comparable picture of the contribution the sector makes to the economy. As noted by European Commission (2009, p. 22) *"In order to be useful, the definitions must be clear and fully operational"*.

[2] In http://www.europeanfamilybusinesses.eu/about-us/fb-concept (as of July 2013).

Taking into account the above and the recommendations of the European Commission, and in order to delimit the concept of Family Business, in this paper we present a methodology to identify them.

With regards to the legal form of the company, we have left out the businesses classified as associations and those without a defined legal form. Thus, we have worked with the following types of firms: public limited companies, private limited companies, partnerships and cooperatives.

In order to exclude microenterprises and very small enterprises a series of measurement variables have been used, since it has been evidenced that in order to define the size of an enterprise it is appropriate to combine several criteria simultaneously. Thus, we have chosen turnover, total assets and number of employees. Regarding turnover, the search was limited to those companies that in the years under study had a minimum turnover of EUR 10 million. As far as assets are concerned, we incorporated all those that over the entire period under study had assets accounting for at least EUR 20 million. Regarding the variable number of employees, in order to exclude self-employed workers, we only included enterprises with more than 10 employees (in the new economic environment the number of employees is increasingly becoming less representative of an enterprise's size).

In order to work with parent companies and their subsidiaries we took only firms with consolidated financial statements and non-consolidated subsidiaries, leaving out firms operating under different brands. Furthermore, to avoid duplicities only parent companies of corporate groups were included.

Once we selected the firms with the characteristics described above –firms that were neither association nor self-employed workers nor microenterprises, with a minimum turnover of EUR10 million and minimum assets of EUR 20 million and operating as parent companies- we differentiated those that could be considered as family businesses. This allowed us, based on the aforementioned criteria, to obtain the population of family businesses and non-family businesses.

In order to be able to carry out a comparative analysis by a description of their characteristics between both groups of firms, we must first define what we understand under the term family business.

As mentioned in section 2 above, according to the definition of family business proposed by EFB (2013) a firm, of any size is a family business, if:

1. The majority of decision-making rights are 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, parent, child or children's direct heirs.
2. The majority of decision-making rights are indirect o direct (owned by them or through other firms owned by family members).
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. 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 per cent of the decision-making rights mandated by their share capital.

For a firm to be considered a family business it must meet the requirement that at least 50% of its stock be held by the family in case of unlisted firms, and at least 25% in the case of listed firms. Thus, control is mentioned as one of the key elements to define a firm as a family business.

To account for the degree of independence of a firm with regards to its shareholders, we will consider as non-family businesses those firms in which there is no shareholder holding more than 25% of the share capital, either directly or indirectly. These firms are classified as independent.

In turn, family businesses are those where:

1. There is no registered shareholder with a direct, indirect or total share over 50%. One or more registered shareholders have got a direct or total share over 25%.
2. There is no registered shareholder with a direct share over 50%. One registered shareholder has got a total share over 50% (= controlled by an indirect majority shareholder).
3. A registered shareholder has got a direct share of more than 50% (= controlled by a direct majority shareholder).

In case of listed firms, those with a share of more than 25% will be considered as family businesses. Taking into account the above considerations on family and non-family businesses, the independence indicators are included as a new variable to delimit the target population of the research study. Those firms for which no independence indicator is available will be left out.

3.2. Definition of the enterprise population in Spain

The above criteria have been used taking the target population from the SABI (Sistema de Análisis de Balances Ibéricos) database of the firm Informa, which includes information on more than 1,222,211 Spanish enterprises and more than 110,000 Portuguese enterprises, recording their annual balance sheets since 1990. SABI includes more than 95% of the enterprises of the 17 Spanish autonomous communities that submit their balance sheets to the commercial registers with a turnover of more than EUR 600,000 or more than 10 employees3.

In line with the recommendations of the European Commission and the definitions proposed by the literature, discussed above, we have left out businesses classified as associations and those without a defined legal form. To exclude microenterprises and very small enterprises, turnover (a minimum turnover of EUR 10 million), total assets and number of employees (enterprises with more than 10 employees) have been selected (Charlo *et al*, 2016). We took only firms with consolidated financial statements and non-consolidated subsidiaries, leaving out firms operating under different brands. To avoid duplicities only parent companies of corporate groups were included.

[3] The study has focused on data corresponding to the years prior to the financial crisis (2006, 2007 and 2008); they are the latest available for the entire population of family businesses, since afterwards a significant number of companies starts to disappear from the database or has entered insolvency procedures. The latest data published by the DIRCE (2015) reveals that 2008 was the last year in which the number of active businesses grew, until the pickup detect as of 1 January 2015. In absolute terms, more than 200,000 companies have disappeared in Spain, which means that the variation rate between 2008 and 2015 was -6.87%. The most negative rate corresponds to the years 2008 and 2009, y 2009 and 2010 with a y-o-y evolution of - 2%. Until 1 January 2014 this negative trend persists, though much weaker than in previous years. It is only on 1 January 2015 when the trend reverses.

Once we selected the Spanish firms that were neither associations nor self-employed workers nor microenterprises, with a minimum turnover of EUR10 million and minimum assets of EUR 20 million and operating as parent companies, we differentiated those that could be considered as family businesses.
For a firm to be considered a family business it must meet the requirement that at least 50% of its capital shares be in the hands of the family in case of unlisted firms, and at least 25% in the case of listed firms. These percentages are higher in Spain than in Common Law countries.
In order for users to identify independent firms, SABI has produced an indicator to express the degree of independence of a firm with regards to its shareholders. To that end five potential categories have been established identified with the letters A to D, being A the most independent and D the less independent and a category corresponding to those firms for such information is not available, identified with the letter U. We will consider as non-family businesses those firms in which there is no shareholder holding more than 25% of the share capital, either directly or indirectly. They are identified in the database with an independence indicator A.
In turn, family businesses are those that: have got an independence indicator D, C or D, as specified below:
B. There is no registered shareholder with a direct, indirect or total share over 50%. One or more registered shareholders have got a direct or total share over 25%.
C. There is no registered shareholder with a direct share over 50%. One registered shareholder has got a total share over 50% (= controlled by an indirect majority shareholder).
D. A registered shareholder has got a direct share of more than 50% (= controlled by a direct majority shareholder).
A total 770 firms fall within these categories; in the case of unlisted firms the will be considered as family businesses when such share accounts to more than 50%, which would correspond to the set of firms included in categories C and D. Those firms for which no "independence indicator" is available will be left out from the study; in total, there are 21 such firms. Likewise, the population is adjusted with the firms in which such variable is unknown, which the SABI database classifies as U (96 firms). The total population is shown in Table 1.

Table 1. Firms meeting the selected criteria

Selected criteria	Values	Results for criterion	Search results
Years available	2006, 2007, 2008	944,228	944,228
Legal form	Public limited company, limited company, general partnership, limited partnership, cooperative	1,217,044	941,828
Turnover	> EUR 10 million	13,736	13,662
Total Assets	> EUR 20 million	10,998	5,661
Number of employees	> 10 employees	93,662	5,147
Consolidation	Firms with consolidated financial statements with non-consolidated subsidiaries	8,159	1,299
Independence indicator	A, B, C o D	341,731	1,182

In conclusion, in view of the above summary table, the total number of firms (excluding associations) operating as parent companies, excluding microenterprises and self-employed workers, with an available independence indicator, within the selected categories and for which financial statements are available for 2006, 2007 and 2008 is 1,182.

3.3. Definition of the enterprise population in Europe

Several research groups from various European universities have conducted studies on business databases in their respective countries (United Kingdom, Germany and Italy) in order to find elements to characterize and classify family business in the European context. Since the authors of this paper have been actively involved in this research, the same criteria and guidelines have been used to undertake the study in the case of Spain4. The first issue was determining the criteria to define a family business, because reference studies and public reports showed a great level of heterogeneity, as evidenced in previous paragraphs.

3.3.1. United Kingdom

In the United Kingdom, the analysis has been conducted for the 2007-2009 period using the data gathered by the Companies House. A firm is considered a family business if the family holds more than 50% of the corporate stock and at least one of the family shareholders is a board member.

The sample includes the British private firms incorporated as companies (excluding listed companies) that submitted their accounts before the first day of the year comprised in the analysis. Companies belonging to the same group were excluded from the sample to prevent double counting. Size of company (small, medium or large) was determined according to the 2006 Companies Act. At the beginning of 2009, the report reveals that family business account for some 28% of unlisted companies ((305,104 family businesses in 2009).

3.3.2. Germany

The data for this analysis have been obtained fundamentally from the “Hoppenstedt” database. The firms that have been selected are listed and unlisted companies that meet the criteria for medium and large size for at least one year between 2006 and 20085.

This process resulted in the identification of 14,496 firms. The financial information was obtained from Hoppenstedt Bilanzdatebank (www.bilanzen.de), which does not include any indicators for degree of independence or a classification of ownership structure. Therefore, it was necessary to verify, complete and classify by hand the information on ownership for each of the 14,946 companies. Classification of ownership is based on 2008 information.

[4] According to the data provided by Eurostat for the active business population (2008-2013 period), as in Spain, there is also a destruction of firms in these three countries since 2008 although with different trends. Both the United Kingdom and Italy show negative rates in this period (1.44% and 3.70%, respectively). Only Germany experiences a positive evolution since the recovery started earlier, in 2010, although it experienced a 0.84% drop over the previous year in 2013. In the United Kingdom, the recovery did not take place until 2011; and Italy showed negative rates of change over the entire period.

[5] Turnover of more than EUR 9.68 million and total assets over EUR 4.84 to classify as medium-sized; and turnover of more than EUR 38.5 million and l assets over EUR 19.25 to classify as large-sized.

Some privately owned companies were excluded from the sample, since they were not considered appropriate in the context of a comparison between family businesses and non-family businesses6. Thus, the sample includes the following types of firms: firms controlled by families and individuals, firms controlled by venture capitalists or private capital investors, firms controlled by domestic and foreign banks or insurance companies that do not provide financial services, firms controlled by other institutional investors (for example funds), firms controlled by governmental organizations (including federal states), firms controlled by trusts/foundations, firms without shareholders boy controlled by several groups of owners and widespread firms.

Only parent companies with financial information presented in consolidated financial statements have been selected in order to prevent double counting (38.1% of observations). In the case of firms that do not have to submit consolidated statements, or where there is no information available on the parent company the data have been drawn from their individual statements (61.9% of observations).

The definition of family business applied in the analysis is based on the EU definition. Therefore, the firms in the sample are classified as family businesses when a family owns at least 50% of the firm for unlisted companies and at least 25% for listed companies. The sample is made up by 14,204 observations (5,908 firms). It includes unlisted companies classified into large and medium-sized firms, as well as listed companies between 2006 and 2008.

3.3.3. Italy

The observatory of the AUB (Bocconi University, Italy), sponsored by the Aidaf (Italian Association of Family Businesses), Grupo Unicredit and the late Alberto Falck, Family Business Strategic Management President at Bocconi University, carried out the first comprehensive and in-depth review of the structures, dynamics and performance of all Italian firms with a turnover of more than EUR 50 million.

A firm is considered a family business when at least 50% of its stock is controlled by one or two families (if it is unlisted) and at least 25% (if listed), or by any other legal entity equivalent to one of these two situations. Control by a family has been detected by an analysis of the ownership structure of all the firms considered by the Observatory. Data have been obtained from the website of the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa - CONSOB) in the case of listed companies and from AIDA (Analisi Informatizzata delle Aziende – Computerized Analysis of Companies) for unlisted companies. Further information was obtained using data of the Chamber of Commerce, Industry, Agriculture and Arts and Crafts of Milan (CCIAA). According to 2007 data there are 8,140 firms with revenues over EUR 50 million. It was possible to identify the ownership structure of 7,663 firms, of which 4,251 (55.5% of the population) were considered family businesses. All cases of individual firms controlled by holdings have been excluded to prevent duplicities. As a result, the sample for the study comprises 2,484 family businesses.

6 German subsidiaries of domestic and foreign business groups, companies owned by domestic and foreign banks, insurance companies providing financial services (for example leasing), church organizations, associations and cooperatives, and companies for which ownership structure could not be clearly identified.

4. Selection of variables

In the 1,182 firms that make up the target population of our research study, we have conducted a descriptive analysis in order to obtain a profile of FBs in Spain, as shown in the ANNEX. Additionally, a series of economic-financial variables have been selected in order to identify the key success factors of FB as compared to non-family business (see ANNEX). They are as follows:

Growth, measured as the evolution of turnover over the period under analysis (2006-2008), as well as the annual change in the 2007-2008 period.

Economic profitability or Return on Assets (ROA), measured as profits before interest and taxes divided by total assets.

1. Financial profitability of Return on Equity (ROE), measured as the return obtained by shareholders equity over a given time period, usually regardless of actual dividends paid.
2. Profit margin; it is the difference between sales volume and the cost of sales.
3. Financial leverage ratio; it is the debt-to-capital ratio.
4. Solvency ratio; it measures the ability of a firm to meet its long-term obligations.

It is clear that in the comparison among European companies, not all studies are identical in their designs, since it was difficult to establish a single research model. It was necessary to allow some diversity, especially in terms of the databases available in each country, and at the same time, establish common criteria to achieve results that can be comparable to some extent. It was necessary to harmonize the filters to be applied to each of the databases to obtain the final sample of family and non-family businesses.

5. Final remarks

The main contribution of this research work focuses on the conceptual delimitation of family businesses and the methodology to identify them. Based on it we are providing a comparison in the European setting.

The wide range of definitions and criteria presently used represent an important obstacle when it comes to performing a reliable comparative analysis between populations of family businesses. In our view, a greater methodological rigor is required to define and identify this category of firms, due to the essential role they play in national economies.

For this reason in our methodology we have proposed a series of screens to define and achieve the target population of the study. Certain legal forms (associations and firms without a defined legal form), size (microenterprises and self-employment) and subsidiaries of parent companies (firms operating under different brands) are some of the exclusion criteria that have been introduced to define the target population.

From here on, and to delimit which firms are specifically family businesses within this population, we have followed the definition of family enterprise proposed by EFB (European Family Businesses)7.

At this point, and taking into account that control is one of the key factors to define a firm as family business (at least 50% of the firm must be owned by family members in the case of unlisted firms and 25% in case of listed firms), we have added as an

[7] In http://www.europeanfamilybusinesses.eu/about-us/fb-concept (as of July 2013).

identification criterion the independence indicator, which expresses the degree of independence of a firm with from its shareholders and provides five different categories, as defined above.

We have excluded from the family business category those in which no shareholder owned more than 25% of the firm either directly or indirectly (with an independence indicator A). We have classified as family businesses those in which one shareholder held more than 25% of the capital shares (those with an independence indicator B, C or D). In the case of unlisted firms, they were considered as family businesses when such percentage was at least 50% (which included all the firms classified in the categories C and D).

By using this methodology with widely accepted definitions and a series of indicators, we have obtained the target population for the study, with the following overall characteristics: public limited companies, unlisted, SMEs, with an operating income of less than EUR 150 million, operating for less than 50 years, and usually with their central offices in Madrid. More than 70% of the firms (70.2%) operate in three sectors: manufacturing industry (33.5%), trade (21.7%) and construction (13%).

Applying these restrictions to Spanish firms, and taking into account the results of the results for the European firms in the study (see ANNEX), the main conclusions reached in the study are the following:

1) 69.12% of all firms (817) are considered family businesses. At the same time, 94.24% of family businesses are unlisted. In the case of Germany, the situation is similar since most of the companies are unlisted (90.90%). Along the same line, one of the main challenges faced by family businesses is becoming listed in an organized stock exchange. Being listed would make it easier for them to sell shares and obtain financing for the development of future activities by incorporating external investors into their shareholders.

2) In terms of legal form, non-family businesses seem to prefer the form of public limited company slightly more than family businesses (82.79% vs. 78.5%). The latter, despite having chosen this form more frequently, seem to show a higher trend than NFBs to take the form of a limited company (21.7% of FBs vs. 16.9% of NFBs). As it is the case in Spain, a majority of Italian firms prefers the form of public limited companies, accounting for 78% of the total.

3) Regarding time since their establishment, FBs tend to be in the two ends of the range (less than 25 years and more than 50 years) as compared to NFBs. Although most of the FBs are less than 50 years old, the share of FBs that are more than 50 years old is greater than that of NFBs. In the United Kingdom, firms are younger than Spanish ones, although there are differences depending on firm size. In Germany, family businesses are in average older than non-family businesses and in Italy 44% of the firms are more than 25 years old. This seems to reflect one of the features of FBs, their long-term perspective, which leads them to strive to keep the business active beyond the lifetime of heir founder.

4) Although initially it would be reasonable to expect that based on their characteristics, size of FBs (measured in terms of operating income) should be smaller than that of NFBs, the study has found that family firms are found predominantly in the upper range. Notwithstanding, empirical data show that this category includes a wide range of firms of all sizes. When analyzing turnover in more detail, among non-family businesses, the most significant percentage has a turnover of less than EUR 50 million

(42.73%), whereas among FBs the majority is in the EUR 50 million to EUR 150 million range. FBs not only seem to be in the higher turnover ranges, but moreover, the amount of family firms that have a turnover of more than EUR 250 million, almost doubles that of NFBs (25.58% as compared to 12.15%, respectively). On the other hand, unlisted firms have increased their operating income by 0.12% between 2006 and 2008, being such increase greater for family businesses. In the United Kingdom, we can see that the share of non-family businesses increases with firm size. Something similar happens in Italy since 74% of the FBs fall in the smaller size range. In Germany, a significant share of the large-sized firms are unlisted family businesses.

5) When analyzing by activity sectors, there seems to be a weaker presence of FBs as compared to NFBs in agriculture, stockbreeding, forestry and fisheries; mining and quarrying; power supply; and real estate activities. However, in services and retail trade; food processing; and water supply, sewerage, waste management and remediation activities, the presence of FBs exceeds that of NFBs. In the United Kingdom, they operate mainly in construction and wholesale and retail commerce; in Germany in manufacturing and retail and wholesale commerce; and in Italy, in the manufacturing industry and in commerce and transport. These findings confirm the evidence that FBs tend to operate better in sectors in which owners play a relevant role (services and retail trade), where net profits are important (food processing), in restricted markets or markets based on specific know-how or methodologies, and in supply and distribution industries. Our research evidences that the presence of FBs in traditional sectors such as agriculture (section A) is far below their share in sectors incorporating new technologies such as water supply and waste management (section E).

6) Regarding growth, and according to the economic-financial analysis that has been conducted, it is not surprising that it has been minimal taking into account the crisis period analyzed in the study.

7) Family businesses, both listed and unlisted have an average ROA of 5% approximately. Listed family businesses achieve clearly distinctive values because their average ROA is 7.4% as compared to non-family businesses with 5.4% and unlisted firms with a ROA of just 4.7%. In general, listed firms seem to be more efficiently managed than unlisted firms are, with the highest values found in listed family businesses, according to the economic profitability analysis that has been carried out. We can therefore state that listed family businesses show a greater ability to use their assets to generate value, regardless of the way they are financed. United Kingdom and Germany also show higher ROA figures for gamily businesses than for non-family businesses.

8) ROE of non-family businesses is lower than that of family businesses being the difference more substantial for listed firms: 11.4% vs. 18.2%. We can therefore assume that financial profitability of is higher in family businesses than in non-family businesses; the category of listed family businesses is the one that achieves a greater financial profitability or return on equity. This variable is determined both by the factors included in the economic profitability mentioned above and by the financial structure resulting from financing decisions.

9) Profit margins are better in listed firms, being four times higher than in unlisted firms. Among listed firms, family businesses are the ones that perform best, with profit

margins doubling those of non-family businesses. Among listed firms, family businesses achieve the greatest profit margin, twice as high as that of non-family businesses. This behavior is consistent with the findings for ROE mentioned above.

10) Listed family businesses have the largest debt, as it can be deduced from their financial leverage ratio. Notwithstanding, as mentioned above, these firms are the ones that achieve the most profitability. Obviously, a greater use of debt will lead to an increase of the ROE, provided that the financial cost of such debt is lower than the net return on assets.

11) Listed family businesses show a slightly higher ability to meet their payment obligations, according to the solvency ratios that have been analyzed. This is confirmed by the financial profitability ratio discussed above, which indicates that the firm generates enough funds to meet its payment obligation or is capable to obtain external financing more easily.

6. Limitations of the study

There is no consensus on what should be considered a family business. This has led us to establish in our methodological delimitation and series of screens that one the one hand, reflect the main characteristics of this type of businesses, and on the other, follow the recommendations of the European Commission. Thus, the first limitation of this study as that it only applies to Europe. However, we intend to overcome this limitation in further research studies by adopting other international recommendations too.

A second limitation stems from the use of the SABI database. Based on the characteristics of the information provided by this database, some elements used in the methodological delimitation may not be applicable to other databases. Since it is impossible to verify the full content of all international databases, our intent is at least to verify in future research the applicability of the proposed methodology to the Eurostat database, which contains relevant information on all the European Union member states.

Finally, a further limitation is the time frame for which the study has been conducted. However, the choice of the period considered can be justified taking into account that these are the last years for which reliable information was available, since the financial crisis had not wreaked havoc on the number of active firms in Spain yet. Between 2008 and 2015, according to the most recent information published by the DIRCE (2015) in Spain, more than 200,000 firms have disappeared, resulting in a 6.87% decrease of the total number. In further studies we intend to make a comparison, following the methodology proposed here, with the official data issued in the future, since the business destruction trend seems to have hit bottom and revert in started to revert in 2015.

References

Astrachan, J. H. (2005). The F-PEC scale of family influence, in Entrepreneurship: Theory and Practice. Available at http://www.allbusiness.com/specialty-businesses/familyowned-businesses/417533-1.html.

Astrachan, J.H. & Shanker, M.C. (2003). Family businesses' contribution to the US economy: A closer look. Family Business Review, vol. 16, nº 3, pp. 211-219.

Astrachan, J.H. & Kolenko, T.A. (1994). A neglected factor explaining family business success: Human resources practices. Family Business Review, nº 8, pp. 251-262.

Basu, A. (2004). Entrepreneurial aspirations among family business owners: an analysis of the ethnic business owners in the U.K. International Journal of Entrepreneurial Behaviour & Research, vol. 10 (1/2), pp. 12-33.

Cabrera-Suárez, M.K., De Saá-Pérez, P. & García-Almeida, D. (2001). The succession process from a resource and knowledge-based view of the family firm. Family Business Review, vol. 14, nº 1, p. 37-44.

Channon, D.F. (1973). The strategy and structure of British enterprise. The McMillan Press, London.

Charlo, M.J.; Nuñez, M. & Snachez-Apellaniz, M. (2016). Perfil de la empresa familiar española en España y Andalucia. Revista Galega de Economia. Forthcoming.

European Economic and Social Committee (2016). Opinion of the European Economic and Social Committee on ‘Family businesses in Europe as a source of renewed growth and better jobs’ of 15 January 2016 (2016/C 013/03).

Davis, P. (1983). Realizing the potential of family Business. Organizational Dynamics, vol. 12, nº 1, pp. 47-56.

Degadt, J. (2012). Exploring and managing tensions in and between the Family Business and Business Family. Paper presented at the Rencontres de Saint-Gall location: Sant-Gallen (CH) date 3-5 September 2012, https://liris.hubrussel.be/handle/123456789/6956.

DIRCE (2015). Directorio Central de Empresas, explotación estadística. Instituto Nacional de Estadística, http://www.ine.es/dynt3/inebase/es/index.htm?padre=51&dh=1.

Dyer, W. G. Jr (1986). Cultural change in family firms: anticipating and managing business and family transitions. Jossey-Bass, San Francisco.

EFB (2013). European Family Business, www.europeanfamilybusiness.eu.

European Commission (2009). Final report of the expert group. Overview of family-business relevant issues: Research, networks, policy measures and existing studies. European Commission, November 2009.

Family Firm Institute (2014). Family Enterprise: Understanding Families in Business and Families of Wealth. The Family Firm Institute Inc., Wiley Finance Series, Wiley.

Gallo, M. A. (1997). La empresa familiar. IESE, Universidad de Navarra: Pamplona.

Gallo, M. A. & Sveen, J. (1991). Internationalizing the family business: Facilitating and restraining forces. Family Business Review, vol. 4, nº 2, pp. 181-190.

Hermann, F., Lueger, M., Nose, L. & Suchy, D. (2010). The concept of “Familiness”. Literature review and systems theory-based reflections, Journal of Family Business Strategy, 1, pp. 119-130.

Kelly, L., Athanassiou, N. & Crittenden, W. (2000). Founder centrality and strategic behaviour in the family-owned firm. Entrepreneurship: Theory and practice, vol. 25, nº 2, pp. 27-42.

La Porta, R., López de Silanes, F., Shleifer, A. & Vishny, R. (1998). Law and Finance. Journal of Political Economy, vol. 106, nº 6, pp. 1113-1155.

Mandl, I. (2008). Overview of family business relevant issues – Final report. Austrian Institute for SME Research, pp. 20-21.

Neubauer, F. & Lank, A.G. (1999). The family business: Its governance for sustainability. Ediciones Deusto: Bilbao.
Shanker, M.C. & Astrachan, J.H. (1996). Myths and realities: family businesses' contribution to the US economy – A framework for assessing family business statistics. Family Business Review, vol. 9, nº 2, pp. 107-123.
Tagiuri, R. & Davis, J.A. (1982). Bivalent attributes of the family firm. Working paper, Harvard Business School, Cambridge, Massachusetts. Reprinted in Family Business Review, IX (2), 1996, pp. 199-20.

ANNEX Delimitation, Description and Success Factors of Family Businesses in Spain. A European comparison

The description of the data of the Spanish population studied, 1,182 firms, allows us to conduct an analysis of the characteristics of the firms making up such population. The same description is made for firms in the United Kingdom, Germany and Italy, keeping in mind that the diversity of available databases makes it sometimes hard to make comparisons. The idea is to show the behavior and trends of the information gathered about the population under study. An ulterior analysis will allow us to specify the relations among the different groups of firms.

Table 1 shows the number of listed FBs in Spain and Germany. We can see that the figures are similar for both countries. The fact that mist FBs are unlisted is related to the difficulties they face in growing, financing themselves or incorporating non-family partners into the business.

Table 1. Family businesses *vs.* non-family businesses. Spain

Listing FB/NFB	Unlisted		Listed		TOTAL	
Family	770	94.24%	47	5.75%	817	100%
Non-Family	332	90.95%	33	9.04%	365	100%
TOTAL	1,102	93.23%	80	6.76%	1,182	100%

Table 1a. Family businesses vs. non-family businesses. Germany

Listing FB/NFB	Unlisted		Listed		TOTAL	
Family	8.989	93.66%	608	6.33%	9.597	100%
Non-Family	4.014	85.27%	693	14.72%	4.707	100%
TOTAL	13.003	90.90%	1,301	9.09%	14,304	100%

Regarding the legal form (Table 2): Most of the firms have been incorporated as public limited companies (79.80%). In turn, limited companies account for almost one fifth of the population (19.80%), whereas only three firms are cooperatives (0.25%). Non-family businesses tend to opt for the public limited company form (82.79%) slightly more than family businesses (78.50%), whereas family businesses, despite preferring such form, seem to show a higher tendency than NFBs to take the form of a limited company (21.7% among FBs as opposed to 16.90%) among NFBs).

In the case of Italy, with the 2,484 FBs included in the simple, the same as in Spain happens, with almost identical percentages; 78% have been incorporated as public limited companies and 21% in the form of private limited company.

Table 2. Legal form

Legal form FB/NFB	Cooperative		Public Limited Company		Limited Company		TOTAL	
Family	2	0.24%	642	78.50%	173	21.17%	817	100%
Non-Family	1	0.27%	302	82.79%	62	16.9%	365	100%
TOTAL	3	0.25%	944	79.80%	235	19.8%	1,182	100%

Table 3 shows years since incorporation: In Spain, 82.8 % of the firms are less than 50 years old (40% less than 25 and 42.80% between 25 and 50). Only 16.9% have been incorporated more than 50 years ago. There are no significant differences between FBs and NFBs regarding this feature. It is just worth mentioning that FBs, as compared to NFBs, seem to be placed to a greater extent in the two ends of the range (less than 25 years and more than 50). In the United Kingdom (Table 3a), firms are much younger than in Spain, although there are differences depending on firm size. Larger firms tend to be older, with an average age of 17 years in 2009, whereas small and medium-sized enterprises are ten years old in average.

In Germany, large unlisted FBs make up the oldest group among FBs, as compared to listed companies and unlisted medium-sized companies. In Italy, 44% of FBS are more than 25 years old and 7% more than 50 years old. It has been already mentioned that one of the characteristics of FBs is their long-term perspective, which makes them strive to stay in business beyond the work life of their founders. Data obtained by PricewaterhouseCoopers in 2007 detected that in 28 countries all over the world over 90% of FBs had been active for more than a decade and 38% for more than 50 years. Although our data do not show the same percentages, it certainly seems that FBs tend to be more lasting than NFBs.

Table 3. Years since incorporation

Years since inc. FB/NFB	Less than 25		Between 25 and 50		More than 50		TOTAL	
Family	337	41.24%	337	41.24%	143	17.50%	817	100%
Non-Family	139	38.08%	169	46.30%	57	15.61%	365	100%
TOTAL	476	40%	506	42.80%	200	16.9%	1,182	100%

Table 3a. Years since incorporation. United Kingdom

Years since inc. FB/NFB	Less than 25		Between 25 and 50		More than 50		TOTAL	
	Number	Age	Number	Age	Number	Age		
Family	252,842	10.78	44,616	10.12	7,646	16.19	305,104	100%
Non-Family	573,438	9.33	154,723	10.24	44,067	17.05	772,228	100%

Firm size (Operating revenues): 32.7% of all firms in Spain have revenues under EUR 50 million, 35.95% between EUR 50 million and EUR 140 million, 9.56% between EUR 150 million and EUR 250 million and 21.74% over 250 million. When comparing FBs and NFBs we can see that the most frequent range for NFBs is less than EUR 50 million (42.73%), whereas for FBs it is EUR 50 million to EUR 150 million. Moreover, FBs do not just seem to be placed in higher turnover ranges but the percentage of them that have a turnover of more than EUR 250 million almost doubles that of NFBs (25.58% as compared to 13.15%).

Table 4. Firm size based on turnover

Turnover 2008 FB/NFB	Less than 50		Between 50 and 150		Between 150 and 250		More than 250		TOTAL	
Family	231	28.27%	289	35.37%	88	10.77%	209	25.58%	817	100%
Non-Family	156	42.73%	136	37.26%	25	6.84%	48	13.15%	365	100%
TOTAL	387	32.7%	425	35.95%	113	9.56%	257	21.74%	1182	100%

The figures for the UK are shown in Table 4a. The percentage of FBs increases with firm size. For example, for 2009, almost 70% of small-sized enterprises were FBs, as compared to 78% of medium sized-enterprises and 85% of large-sized firms. Table 4b shows the number of German unlisted medium-sized, unlisted large-sized and listed FBs and NFBs, evidencing that FBs are the most common type of firms in Germany. A significant amount of large-sized enterprises is large unlisted FBs, although the percentage of FBs and NFBs is slightly lower as compared to medium sized-companies (around 66% vs. around 77%). Interestingly, FBs account for almost one-half of the German listed firms (around 47%). In Italy, 74% have a turnover between EUR 50 million and EUR 150 million, 12% between EUR 150 million and EUR 250 million, and 14% of more than EUR 250 million.

Table 4a. Firm size. United Kingdom.

FB/NFB	Less than 25		Between 25 and 50		More than 50		TOTAL	
Family	252.842	30.60%	44.616	22.38%	7.646	14.79%	305.104	100%
Non-Family	573.438	69.40%	154.723	77.62%	44.067	85.21%	772.228	100%
TOTAL	826.280	100%	199.339	100%	51.713	100%	1.077.332	100%

Table 4b. Firm size. Germany

FB/NFB	Medium-sized unlisted		Large-sized listed		Listed		TOTAL	
Family	2.714	77.12%	6,275	66.16%	608	46,73%	9,597	67.09%
Non-Family	805	22.87%	3,209	33.83%	693	53.26%	4,707	32.90%
TOTAL	3,519	100%	9,484	100%	1,301	100%	14,304	100%

Regarding the activity sector, FBs tend to operate better in sectors in which the owner plays an important role (services and retail trade), where net profits are important (such as food processing), in restricted markets or where specific know-how or methodologies play a major role and in supply industries. In general terms, as detailed in the European Commission report of 2009 and in the study of the National Stock Exchange Commission of 2004, FBs have a stronger presence in the food industry, retail trade, construction, tourism, finances and insurance, having also a relevant weight in all other sectors, but being underrepresented in high tech industries and in energy; however, this is changing due to the growing presence of family enterprises in new market firms. In fact, we have verified in our study in Spain that the presence of FBs in traditional sectors, such as agriculture, is far below their presence in sectors involving new technologies, such as water supply and waste management.

In the United Kingdom, all firms have to report the sector in which they operate in their annual financial statements. At the beginning of 2009, some 13% of the FBs operated in the construction industry. Other industries with a large number of FBs operating were wholesale commerce (around 5%), retail commerce (around 7%), real estate activities (around (8%) and computing and related activities (around 7%).

In Germany, firms do not have to report the sector in which they operate and therefore, the information was obtained from the database supplier. The analysis suggests that FBs operate mainly in the manufacturing industry and in wholesale and retail commerce and they are large-sized unlisted FBs, whereas a majority of non-family businesses operates in transport and public services. In Italy, the most represented sector is the manufacturing industry (40%), followed by commerce and transport (31%), professional services (11%) and real estate and construction (9%).

We will next analyze the main economic-financial characteristics of family business as compared to equivalents non-family businesses. This will allow us to identify the key success factors of FBs, i.e. the variables that influence their performance.

In Spanish firms, we conducted a study considering two different periods to find out the evolution of their turnover: The year-on-year evolution between 2007 and 2008 (Table 5) and the evolution of their performance between 2006 and 2008 (Table 6).

Table 5. Evolution of turnover between 2007 and 2008.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	770	0.0098	0.3906	-0.9797	5.007	40	0.1418	0.6260	-0.5466	3.8546
Non-Family	332	0.0103	0.3600	-0.8265	3.3258	33	0.1568	0.8927	-0.5273	4.9062

Table 6. Evolution of turnover between 2006 and 2008.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	770	0.1293	0.6888	-0.9766	12.4690	47	0.5624	1.2467	-0.6579	5.2204
Non-Family	332	0.1201	0.5269	-0.883	4.5239	33	0.6736	1.8413	-0.4889	7.5436

It is not surprising that there is a slight evolution between two consecutive years, 2007 and 2008 (Table 5) compared to the evolution shown in Table 6 (2006 and 2008), considering the groups of companies included in the study (unlisted family businesses, listed family businesses, unlisted non-family businesses and listed non-family businesses). In Table 6, the time span is longer and the impact of the crisis had not become evident yet.

Regarding to the evolution of turnover between 2007 and 2008, unlisted firms experience very little increase in their operating revenues. For listed firms the increase is also minimal, around 0.15% in family businesses and 0.15% in non-family businesses. In this latter group, operating income changes show a greater range as compared to the average, but their range is smaller if we compared them to listed firms. Evolution of turnover between 2006 and 2008 shows a similar behavior. Unlisted firms have increased their operating revenues by 0.12% approximately, being such figure higher for family businesses, as opposed to what table 6 showed. As far as listed firms are concerned, operating revenues increased by 0.56% in family businesses and 0.67% in non-family businesses.

In the United Kingdom, FBs seem to have less net worth, but show higher figures in the undistributed earnings/total assets ratio. Figures may suggest a higher distribution of earnings among shareholders in FBs instead of not distributing earnings as a source of financing. In Germany, figures indicate similar growth of revenues for FBs and non-family businesses. In Italy, and despite the widespread belief that FBs grow at lower rates than other firms, FBs globally experienced a 51% growth between 2003 and 2007.

Economic profitability (ROA) of Spanish firms (Table 7) shows the following behavior: non-family businesses, both listed and unlisted, reach an average profitability of approximately 5%. Among family businesses, there is a clear difference; whereas unlisted firms achieve a profitability of 4.7%, listed firms reach 7.4%.

Table 7. Economic profitability (ROA) 2006, 2007, 2008.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	2309	4,7287	10,8508	-77,33	118,94	141	7,4356	13,2736	-28,86	69,79
Non-Family	996	5,2344	8,9095	-97,18	41,54	99	5,4466	11,0027	-32,10	54,06

The financial profitability (ROE) of non-family businesses is lower than that of family businesses and such difference is greater in the case of listed firms: 11.4% as compared to 18.2% respectively. The summary of data is shown in table 8.

Table 8. Financial profitability (ROE) 2006, 2007, 2008.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	2325	13.6516	43.4882	-791.78	553.86	141	18.21	30.72	-56.99	196.91
Non-Family	996	12.9342	28.6457	-693.64	119.59	99	11.45	17.80	-71.57	75.51

Profit margin (Table 9), have quite different average values depending upon whether firms are listed or not; with listed family business having an average profit margin that id four times higher than that of unlisted family businesses. Among listed firms, values for family businesses are much higher than those of non-family businesses.

Table 9. Profit margin 2006, 2007, 2008.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	2307	6.8007	44.39	-554.03	820.67	140	27.7979	91.17	-245.78	654.54
Non-Family	995	7.9437	36.61	-348.01	713.56	91	12.7755	107.94	-563.22	469.55

In the United Kingdom, and in terms of profitability, although large-sized firms seem to have lower value in the turnover/total assets and in the earnings before taxes/total assets ratios than medium-sized firms, their profit margin is larger. FBs have a higher ROA and profit margin than NFBs both for medium-sized and for large firms.

In Germany, whereas large FBs have a higher ROA than NFBs, the differences between listed medium-sized FBs and NFBs are negligible. Interestingly, the figures suggest that private capital FBs have a higher ROA than listed FBs.

In Italy, FBs seem to obtain high returns. The average ROI of FBs between 2003 and 2007 was 9.1%, and it was higher than for other firms. The average ROE is 9.0%, which is slightly lower than that of state-owned firms (10.2%) and coalitions (9.3%). Both ROA and ROE of FBs increased between 2003 and 2007 from 9.0% to 9.5% and from 7.7% to 9.6% respectively. The situation did not change in 2008 in spite of the crisis. Financial leverage in Spanish firms (Table 10) shows that listed family firms are the ones with the largest debt. The minimum levels existing in family businesses should be noted.

Table 10. Financial leverage 2006, 2007, 2008.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	2198	108.77	171.6857	-854.06	993.73	139	136.15	183.7626	-143.16	962.57
Non-Family	960	128.32	157.1938	0	987.37	96	123.39	132.3252	0.4366	922.14

Table 11 shows no differences between the categories of firms in the study in terms of solvency ratio, although it is slightly higher in listed firms.

Table 11. Solvency ratio.

L/U FB/NFB	**Unlisted**					**Listed**				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Family	2310	35.85	23.60	-131.79	95.44	141	41.28	24.03	-26.23	93.49
Non-Family	996	39.44	21.27	-0.4497	99.53	99	41.20	20.08	-0.45	85.96

The figures suggest the FBs in the United Kingdom are less indebted, even in the short term. However, NFBs have a higher interest cover rate than FBs. It seems that although large NFBs have a higher debt, they can obtain enough profits to cover their interest payments.
Business insolvency rates increases in the sample in 2009, as could be expected due to the recession. Large firms seem to have a higher insolvency rates (2.8% in 2009) than small ones (1.56% in 2009), and medium-sized firms show the lowest rate (.9%) in 2009. FBs have always lower insolvency rates than NFBs regardless of firm size.
In Germany, medium-sized FBs have a lower Equity Ratio[8] than NFBs. On the contrary, large firms and listed FBs seem to be less leveraged than non-family ones. Large FBs have an average Equity Ratio of 32% as compared to 28% of large NFBs. Listed FBs also have a higher Equity ratio than listed NFBs (48% vs. 42%) and unlisted FBs.
In Italy, FBs require additional own funds. At end of 2007, FBs used more debt than other types of firms. Their debt ratio has fluctuated between 5.1 and 5.5 between 2003 and 2007. It is higher than in subsidiaries of multinational companies (between 3.5 and 3.8) or in state-owned companies (in which it has risen from 3.3 in 2003 to 4.6 in 2007). However, it is lower than in cooperatives (8.7 in 2007) and firms controlled by banks (5.9). Notwithstanding, this ratio is lower for the largest FBs (with a turnover of more than EUR 250 million), ranging from 5 to 5.5 between 2003 and 2007. In other words, data show that the growth of FBs has been supported by the bank system to a greater extent than in other firms. The need for additional own resources is reinforced both by the increase of their debt ratio (from 4.4 in 2007 to 5.4 in 2008), and by taking advantage of new opportunities for the acquisition of firms or making new investments, both situations that have been fueled by the crisis (Only 15% of Italian FBs has a positive balance at the end of 2007 and 2008, as compared to 38% of multinational companies and 30% of state-owned companies. Therefore, there was a smaller number of FBs than of other types of firms that shows acceptable cash levels to tackle a negative economic situation or to take advantage of investment opportunities).

[8] Equity Ratio: defined as the equity/total assets ratio.