THE SURVIVAL STRATEGY OF SPANISH FAMILY FIRMS (INTERACTIVE PAPER)

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Principal Topic

Spanish case differs from the evidence observed in other European countries as UK, where family ownership among large firms shows a pattern similar to that in the US, in the sense that founding families are able to control the firm with small block holdings of shares (Rodríguez et al, 1994; Alonso and Andrés, 2002; Franks, Mayer and Rossi, 2004).

Researchers have repeatedly argued that conceptually the strategic planning processes and the resulting strategies of family businesses differ significantly from the processes and the strategies of non-family firms (Ward, 1988; Harris, Martinez and Ward, 1994). The paper empirically analyses the differences between family and non-family firms related with business performance and survival prospects.

Method

The data are drawn from the Encuesta sobre Estrategias Empresariales. The geographical area of reference is Spain and the reference population of the database is companies with ten or more workers in what is usually known as manufacturing industry for the period 1990-2002. Firstly, several non-parametric tests for equality of survival functions are computed to check the diversity of survival rates across family and non-family firms and different determinants in the competitive strategy between these two types of firms. Secondly, a duration model based on the hazard rate has been estimated to study the impact of a set of covariates (firm size, age or maturity, business competitive strategies, financing and ownership structure, innovative patterns, etc.). Finally, some characteristics in the firm performance of family firms are observed.

Results and Implications

The paper finds evidence that family ownership have a positive effect on firm survival in the same line like Jaskiewicz (2005) and Menendez-Becejo (2005) regarding the firm performance.

Family firms have to forgo size in order to have a high control of the firm. With regards of the competitive strategies are focused on investment in innovation, process innovations and price differentiation (price-cost marginal ratio) and the adoption of advanced manufacturing technologies (CAD, CAM). Result contrary for the non-family firms which are more focused in the introduction of new products in the market and the exporting activities.

The paper can contribute to increase the knowledge about the differences between family and non-family firms in Spain, taking into account the importance of this kind of business structure in the southern-European countries.

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