

INSTITUTO NACIONAL DE ESTADISTICA



Pilot study on family businesses

Methodological note
and results

Madrid, July 2016

1 Context

The National Institute of Statistics (INE) presents this new pilot study on family businesses in Spain. It aims to offer a first approach to the phenomenon of family businesses, on which there are no official statistics in our country.

Small and medium-sized enterprises play an important role within the Europe 2020 Strategy. In this context, the Programme for the Competitiveness of Enterprises and Small and Medium Enterprises (known as the COSME programme) has been developed, aimed at promoting growth and strengthening the competitiveness and sustainability of small and medium size enterprises in the European Union. Within these, family businesses have an important role to play in the strengthening and impetus of the European economy. The European Commission has undertaken a number of specific actions to study the need and shape of possible future policy initiatives in favour of family businesses. In addition, the Entrepreneurship Action Plan 2020 pays specific attention to the transfer of family businesses.

In this area, the European Commission launched a project¹ in April 2015 aimed at assisting the national statistical offices to mitigate the lack of information on family businesses, since it had had been detected that in many European countries there was insufficient information on the role and economic importance of family businesses. The objectives of this project were: i) to contribute to the availability and improvement of reliable statistics on family businesses at national and European level; ii) to support the implementation and development of these statistics in countries that do not yet collect information on this topic. Furthermore, the European Parliament agreed a resolution on Family Businesses in Europe², on 8 September 2015.

In the national context, the Standing Committee of the Higher Council of Statistics³, at its meeting on 29 September 2015, was informed of this project and the fact that, in the absence of coverage of the field of family businesses by official statistics, a pilot study on family businesses was going to be undertaken. Such a study would be implemented within an existing business survey that would cover Spain and all sectors of activity. This pilot study is presented here.

¹ Call for proposals - Statistics for family businesses. European Commission (Executive Agency for Small and Medium Enterprises). April 2015.

² European Parliament resolution of 8 September 2015 on family businesses in Europe <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0290+0+DOC+XML+V0//ES>

³ The Higher Council of Statistics, under the Ministry of Economy and Competitiveness, is a consultancy body for the state statistical services and for the social participation of the respondents, producers and users of statistics. Represented therein are unions and employers' organisations and other social, economic and academic groupings and institutions, together with the Ministerial Departments and the National Institute of Statistics.

2 Methodology

This pilot study on family businesses has been compiled from information from the survey of the Business Confidence Index (BCI) and the Central Companies Directory (CCD). The BCI sample considered consists of 7,798 establishments, representing 7,062 companies.

The research was conducted by the inclusion of an additional question in the questionnaire for the Business Confidence Index (BCI) in the first quarter of 2016, collected in December 2015, in order to determine whether the establishments surveyed were or were not family businesses according to the definition by the European Commission, the wording of which is given below.

Question about membership of a family company incorporated in the questionnaire on Business Confidence Indexes for the first quarter of 2016

Does this establishment belong to a family business?

A family business is understood to be one that fulfils the following characteristics:

- 1. Share ownership: The majority of voting shares are owned by the person or persons from the family who founded the company; or owned by the person who holds or has acquired the share capital of the company; or owned by their spouses, parents, children or direct heirs of the children.*
- 2. Control: The votes that make up the majority thereof for decision-making may be direct or indirect.*
- 3. Governance: At least one representative of the family or relative is involved in the management or governance of the company.*
- 4. Right to vote: The definition of family business is applied to listed companies if the person who established or acquired the company (its share capital), or their family members or descendants possess 25% of the voting rights to which the share capital is entitled.*

YES NO

Due to the inherent complexity of the concept of a family business in the field of self-employed workers, this pilot study has identified all natural persons as family businesses.

To estimate the variables, a process has been carried out that is differentiated from what is normally followed in the BCI, because the sampling units are different, since the information obtained for this study is at company level while the BCI sampling unit is the establishment.

Therefore, we have calculated the probabilities of inclusion at company level based on the probabilities of inclusion of their establishments in the original stratified sampling and there has been post-stratification, by Autonomous Region and activity and size groupings, using information from the Central Companies Directory (CCD), whose reference date is 1 January 2015. The data corresponding to the activity, the number of employed persons and turnover were obtained from the Central Companies Directory, as at the reference date indicated.

The results obtained in this pilot study are to be considered as a first approach to the quantifying the number of family businesses and their weight in percentage of employed persons and turnover within the set of companies as a whole in our country. In any case, this is a qualitative study, so the interpretation of results should take into account this fact together with the inherent complexity of the concept of family businesses.

3 Main results

The information used in the study refers to two different time periods: the first quarter of 2015 (CCD) and December 2015 (BCI), so we understand that it can reasonably be referenced to the whole of 2015.

The following tables present the the estimated percentages of: total number of companies, total number of employed persons and turnover, of family businesses, broken down by groups of employed persons, by activity groupings and by Autonomous Region.

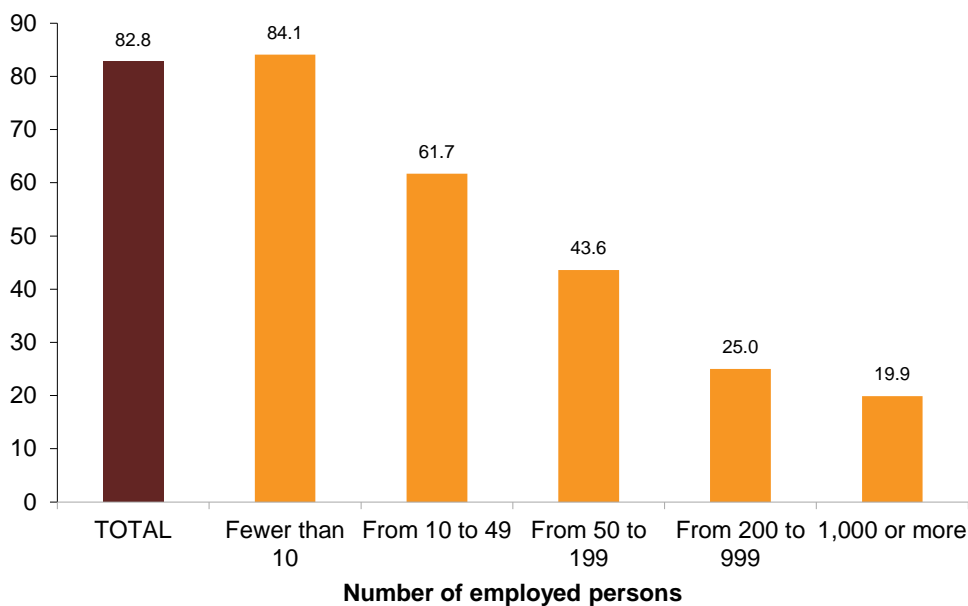
It has been estimated that 82.8% of all companies are family businesses. Similarly, 49.9% of employed persons and 38.0% of turnover come from family businesses.

Table 1. Family businesses by size of establishment. Percentage

<u>Nº of employed persons</u>	<u>Companies</u>	<u>Employed persons</u>	<u>Turnover</u>
TOTAL	82.8	49.9	38.0
Fewer than 10	84.1	79.1	57.9
From 10 to 49	61.7	58.4	54.6
From 50 to 199	43.6	42.3	39.1
From 200 to 999	25.0	23.7	20.4
1,000 or more	19.9	19.8	15.1

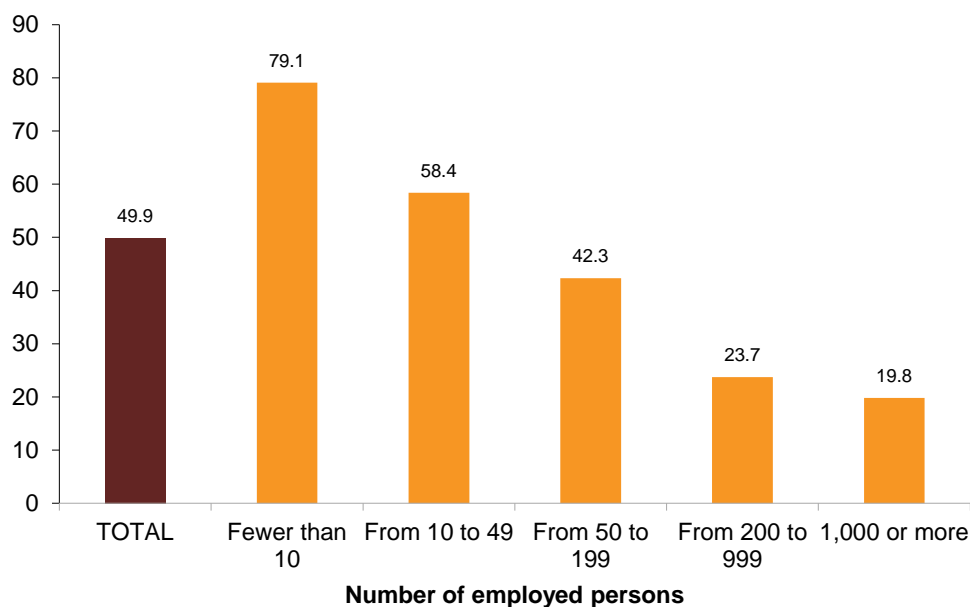
84.1% of companies with fewer than 10 employees are considered family businesses, while less than 20% of companies with more than 1,000 employed persons are identified as family businesses.

Figure 1. Family businesses by size of establishment. Percentage



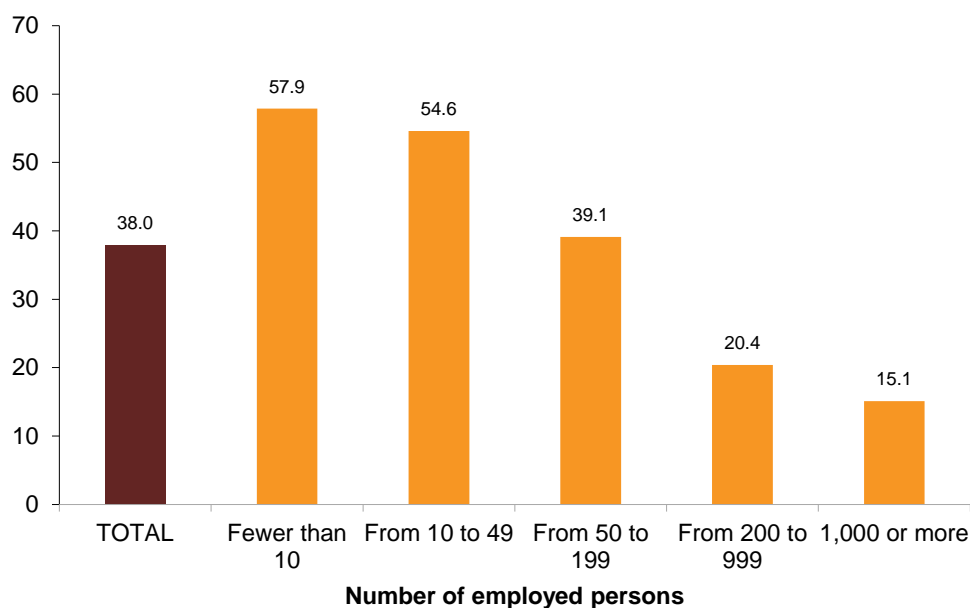
Family businesses with fewer than 10 employees account for almost 80% of the employment among companies of that size. Meanwhile, in companies with more than 1,000 employees, this percentage is around 20%.

Figure 2. Employed persons in family businesses by size of establishment.
Percentage



With regard to turnover, more than half (57.9%) corresponding to companies with fewer than 10 workers comes from family businesses. This figure represents 15.1% of the turnover of companies with more than 1,000 workers.

Figure 3. Turnover of family businesses by size of establishment.
Percentage



By activity groupings, family businesses have a greater presence in *Transport and Hospitality* (90.6%) and *Trade* (86.2%). The lowest presence is observed in *Industry* (74.1%).

Table 2. Family businesses by activity group. Percentage

Economic activity	Companies	Employed persons	Turnover
TOTAL	82.8	49.9	38.0
Industry	74.1	47.5	32.2
Construction	80.9	68.5	63.5
Trade	86.2	66.3	49.2
Transport and Hotels	90.6	61.5	52.9
Other services	80.0	37.9	20.4

Family businesses in terms of the total number of companies in each region represent between 77.9% (Madrid) and 88.3% (Canary Islands).

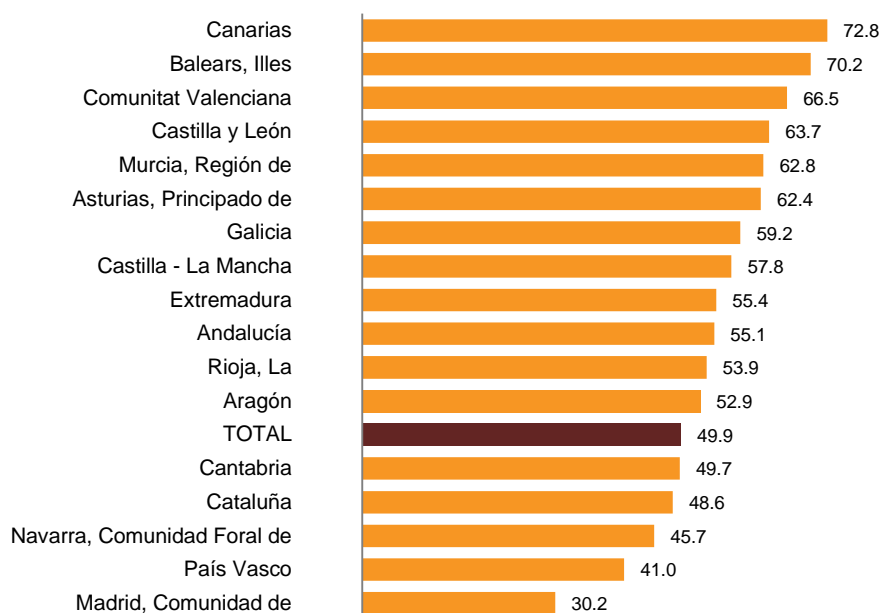
Table 4. Family businesses, employed persons and turnover by Autonomous Region Percentage

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	Companies	persons	Turnover
TOTAL	82.8	49.9	38.0
Andalucía	85.1	55.1	55.7
Aragón	83.4	52.9	40.9
Asturias, Principado de	84.4	62.4	42.0
Balears, Illes	83.7	70.2	69.9
Canarias	88.3	72.8	62.2
Cantabria	86.1	49.7	29.6
Castilla y León	85.9	63.7	54.4
Castilla - La Mancha	85.6	57.8	66.8
Cataluña	82.6	48.6	38.9
Comunitat Valenciana	81.8	66.5	67.4
Extremadura	86.7	55.4	64.4
Galicia	83.6	59.2	53.5
Madrid, Comunidad de	77.9	30.2	20.3
Murcia, Región de	81.1	62.8	62.8
Navarra, Comunidad Foral de	85.7	45.7	38.7
País Vasco	80.0	41.0	42.9
Rioja, La	78.7	53.9	54.6

The regions with the highest percentage of persons employed in family businesses are Canarias (72.8%), Illes Balears (70.2%) and Comunitat Valenciana (66.5%). Meanwhile, Comunidad de Madrid (30.2%), País Vasco (41.0%) and Comunidad Foral de Navarra (45.7%) are the regions with the lowest values.

Figure 4. Persons employed in family businesses by autonomous region.
Percentage



In the direct method with subsequent adjustment, check whether the possible residual seasonality in some series comes from the subsequent assignments (necessary to reach longitudinal and transversal coherence in some statistics). In order to correct said residual seasonality, a different distribution of the discrepancies found must be carried out.