

Spain has moved to a pluralistic democracy, but its strong heritage of family businesses remain governed by a patriarchal system

Culture and governance in Spain

By Ivan Lansberg

CULTURE IS ULTIMATELY AN adaptive tool that helps humans share and transfer – through a wide array of languages, values, norms and symbols – survival strategies for coping with varying environmental conditions. The growth and continuity of family enterprise generates a number of generic challenges that all owning families must learn to negotiate and resolve if their enterprises and families are to survive over the long term.

Mentoring heirs for positions of responsibility, leadership succession, governance, conflict management, the timely retirement of seniors in positions of authority, cross generational collaboration as well as collaboration among siblings and cousins in management and ownership roles, are some of the critical challenges for which business families around the world must find adaptive solutions.

The cultural milieu of distinctive world regions shapes the responses and strategies that business families generate to tackle these challenges. In some cases, the culture of origin facilitates family enterprise adaptation and survival while in others culture can pose significant impediments for growth and continuity. In this article I would like to summarise observations I have made over the past 15 years working and teaching in Spain about how certain elements of Spanish culture influence the adaptability of mature family companies in this society.

However, I do so with a certain degree of trepidation. To speak of a “Spanish culture” is unquestionably reductionistic and threatens to homogenise – or worse, caricaturise – what is in effect a complex and

varied tapestry of autochthonous regions and cultures. In fact, Spain is so diverse that I have often asked my Spanish clients and colleagues what they think holds it all together. Their answers, of course, vary from region to region and are in themselves evidence of the cultural tensions at work in this complex and multi-faceted

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society. They include a fascinatingly ancient and dramatic history, a shared language (Spanish or Castilian – depending on who you ask), an attachment to the crown and its legacy, shared economic objectives and ambitions, particularly in the context of a Europe in the process of integration, as well as the painful memory of a brutal civil war – which seems to be rapidly receding to the background with the passing of the senior generation.

My experience in Spain is limited to a small sample of 15 prominent families – mostly in Madrid and Barcelona. Five of these families are (or have been) transitioning from a single controlling owner to a sibling partnership; five are (or have been) evolving from a sibling partnership to cousin consortium and five are large complex multi-family networks attempting to professionalise their governance

structures and processes. While I’ve also had some exposure to a broader cross section of Spanish family companies through my participation in educational seminars organised by the IEF, the IESE business school and array of regional university programmes, the observations bellow are mostly derived from my “clinical” experience as a consultant.

Finally, I also worry about the limitations and cultural biases that I, as an American (with Latin American roots), bring to the tricky endeavour of distilling cross-cultural observations that have some interpretive value for Spanish business owners and their families. A Spanish client once told me that one of the most valuable things I offered him was my perspective as an outsider who questioned his assumptions. In that spirit, my objective here is capitalise on my “outsidedness” with the hope that it can help me discern certain behavioural patterns that may not be readily evident to Spanish business families themselves.

Shedding patriarchal authority

One of the most remarkable aspects of Spanish society has been its capacity to negotiate the transition over the past 20 years from a centralised authoritarian government to a pluralistic democracy. While King Juan Carlos continues to serve as a unifying symbol of patriarchal authority, Spain has evolved matured political institutions capable of sustaining and on-going dialogue and power-sharing among representatives from a wide array of political and economic interests.

Democracy has been good to Spain on

all fronts. Over the past 20 years, Spain's GNP has grown exponentially, as has the number of the number of its citizens who have completed formal secondary and university education. Income distribution has evened out, consolidating a robust middle class comparable to that of the most developed nations in the European Community.

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ment has yielded such tangible social and economic progress, it has been slow to penetrate the microcosm of Spain's prominent family enterprises. On the contrary, Spanish business families continue to view a highly centralised and hierarchical system of patriarchal authority as the ideal archetypal organisational model for governing family companies.

By patriarchal authority, I mean the reliance on the charismatic leadership of a single individual – typically, the all-powerful father figure embodied in the persona of the founding entrepreneur (or his surrogate in subsequent generations). Patriarchy – with its corresponding psychological by-products of love, respect and fear – is so deeply ingrained in the Spanish familial psyche, that often the very attempt to involve the next generation in designing a governance structure for the future can be seen as a disrespectful challenge to established authority.

The resiliency of patriarchal models has far-reaching consequences for the continuity of family enterprises in Spain. Just as in Spanish society at large, as the generation of patriarchs fades from the scene, many of the enterprises they built are being passed down to groups of sibling and cousins, who must learn to organise themselves through the adoption of governance structures and policies that call for collaboration and power-sharing. The shift towards greater complexity forces an inevitable democratisation of the governance process in these enterprises.

The shift to more participative decision-making processes is necessary

because the control vested in the hands of a few shareholders dilutes over time, thus forcing on succeeding generations the adoption of more complex governance architectures that requires a considerable degree of trust, accountability, transparency and collaboration to function effectively. The adoption of complex governance forms also enhances the need to carefully groom and select people from shareholder families to serve in various governance roles.

These individuals are called on to represent the interests of all their shareholder constituents and not just those of their own family branch. Learning to negotiate and manage these structures becomes an imperative for the continuity of these enterprises. Indeed, many family companies in Spain – and elsewhere – run the risk of failing not because they don't perform effectively in the marketplace, but because their owners are unable to unite behind a common vision.

Continuity process skills

In response to the challenge of complex governance, many Spanish families have pioneered efforts to adopt family *protocols* (constitutions). These constitutions have been used as an attempt to define both the structure and the operating rules that family shareholders should follow. The idea of writing down the "rules" of governance has great appeal to many Spanish families.

For one thing, constitutions serve as a way of making more tangible many aspects of governance that seem ephemeral and risky to many Spaniards. I also think that the protocols resonated loudly with Spain's legal traditions (a country with a civil law tradition).

However, many families that adopted these constitutions have had considerable difficulty in enforcing them. The main reason for this seems to be that more emphasis has been placed on constitutions as ends in themselves than on the process by which the documents are written and applied. This has been an important lesson on the do's and don'ts of democracy within family business governance.

Constitutions certainly can play a useful function for families venturing into complex governance, but they also have real limitations. They can lead families to mistakenly overlook – or, in some cases, avoid – the importance of acquiring the process skills necessary to function effectively in the organisational context of a more democratised complex governance

system. Indeed in these structures, open communication, negotiation, consensus, compromise, trust and power-sharing are not just nice to have – they are essential.

I believe that therein lays the most significant challenge to family business continuity in Spain. For if succeeding generations of Spanish heirs are to rise to the challenge posed by continuity, they most bring into the microcosm of their enterprises the maturity and political wisdom that Spanish society at large has shown.

Support and resistance

Over my years working in Spain, I've met many heirs – now in their late 40s and early 50s – who are often not ready for the challenge of working with their peers in governing effectively the companies they have inherited. To fill the authority vacuum left in the wake of parting patriarchs, many heirs either attempt to follow the authoritarian ways of their seniors or resort to exerting their influence through the formation of fragile coalitions with others – typically, from their own family branch – which ultimately undermine trust and the possibility of sustainable shareholder collaboration.

In fact, much of my work in Spain has centred in helping these heirs to acquire the skills necessary to function in more

One of the most compelling facts about the luxury industry in Europe is the emergence of a new breed of world-class manager at the helm

complex structures of governance.

In this task, I have encountered both support and resistance from the families I've worked with. On the one hand, almost invariably my clients exhibit a profound – at times even inspiring – commitment to their families. In contrast to my experience working in other parts of Europe and, certainly, in the US, it is striking how much more devoted Spaniards seem to be to the preservation of both their nuclear and their extended families. Even in cases where I've encountered considerable family dysfunction, individuals seem willing to invest time and energy to sustain their emotional linkage with their families.

In Spain, the sense of familial identity seems considerably more important to a

person's individual identity than in other cultures and loyalty to family is a deeply ingrained value. While such commitment to family can make the process of individuation more challenging, it also often motivates individuals to embrace innovation and change in service of sustaining the continuity of relationships. I believe that it is certainly not coincidental that Spain is at the leading edge in family business education and policy making.

On the other hand, there are also cultural elements that at times create significant barriers to the effective functioning of complex governance structures.

Interpersonal and group communication

My experience suggests that there are real cultural barriers to open communication in groups. Part of the problem is that communication – particularly among men – is often mired in underlying power dynamics in which speaking and listening seem directly equated with dominance and submission. The on-going posturing and “one-upmanship” that appears integral to most interactions in families attempting to work together often hampers the easy exchange of information and interfere with the capacity to make decisions and problem-solve collaboratively.

It will be vital for the success of these more complex governance structures, for the rising generation of Spanish heirs to develop their communication skills and, in so doing, to enhance the transparency and flow of information among critical shareholder constituencies.

Conflict management

There are a number of Spanish cultural features that can interfere with the constructive management of conflict. First, is pride – or *orgullo*. I have found that once an individual publicly defines a position on a given issue it becomes very difficult for them to then reconsider that position without considerable loss of face. It is as if admitting a flaw in one's argument or reconsidering one's point of view – even as a result of new information emerging from a dialogue – is seen as a humiliation.

Thus negotiating a common understanding becomes a challenge since group members don't define their positions until they are absolutely sure of where they stand, and once positions have been defined they are difficult to change. I have found this tendency particularly strong among families from Madrid with whom

I've worked. It is probably not coincidental that no word in Spanish quite captures the meaning of ‘compromise’; *arreglo* or even *acomodo* – which come closest – have a negative connotation and don't convey a sense of collaborative agreement.

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Secondly, many families go to great lengths to avoid conflict all together and in so doing can stifle their capacity to work together. There is a fear that unleashing the often intensely felt emotions that can be stirred up in an interpersonal argument would be devastating for the group. The Catalans have a wonderful dichotomy between *seny* – which depicts a earthly form of “commonsense”, reliable order and a refusal to adopt unproven novelties – and the *rauxa* – which depicts an instinctual outburst of emotion that can easily escalate out of control.

Among the Catalans fear of losing *seny* and of unleashing *rauxa* can discourage the open confrontation of issues necessary for negotiation to occur. Conflicts can thus fester unresolved for considerable time. Often families resort to negotiating their differences behind the scenes where compromises can be made without undue loss of face. In so doing, however, the transparency of the governance structures they put in place can be short changed.

Just as Spanish society has had to learn on the way to democracy, succeeding generations in the leading family enterprises will have embrace the notion that conflict is an inevitable by-product of complexity and pluralism. Ultimately, family enterprises that beat the odds of continuity are not those who avoid conflict but those who learn to manage it constructively.

Resistance to outsiders

The complex governance of family enterprises requires striking an optimal balance between the familial values and professional rationality. Thus open inclusion and merit selection; spontaneity and planning; forgiveness and accountability; patience and expediency all have to coexist in the

architecture, the process and the policies that are ultimately adopted.

Experience and considerable research suggests that seeking the involvement of impartial independent professionals in the governance of complex family enterprises can help to balance these competing tendencies and thus facilitate the challenge of continuity. Although there are a number of important exceptions, many family businesses in Spain still manifest considerable resistance to involving outsiders as directors. While many of the reasons are to do with the particular dynamics and history of each system, a number of factors cut across many of the families I've worked with.

First, as alluded to earlier, many families gravitate towards enmeshment – meaning, they build tightly coupled families in which relationships are experienced with considerable intensity. These families draw well demarcated boundaries that shelter them from the intrusions of the outside world. While a certain degree of enmeshment serves to foster a sense of loyalty and commitment to the family system, it can also instill a profound mistrust of outsiders.

Second, family enmeshment can also foster a fictitious sense of uniqueness. Many Spanish families resist external help

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because they believe no outsider could ever quite understand the complexities of their particular situation and add value to their thinking.

Third, individuals in Spanish shareholder families often don't want to forgo their direct involvement with the governance of their systems. Many feel that the potential benefits of including outsiders are outweighed by the loss of control they experience by giving up their seats on various boards and committees.

Finally, many individuals in Spanish families attribute a great deal of symbolic significance to the stature of belonging to the groups of influence within the governance structure. The strong desire to be in the limelight – *el figurar, el protagonismo*

or *el salir en la foto* as they put it – often discourages them from turning over these roles to outsiders even when it is fully understood that independent professionals would in fact bring skills and perspectives that would help the governance process.

Because of all these factors, as the number of shareholders expands in many of these enterprises, the demand for positions in the structure also grows, making the inclusion of outsiders all the more difficult to accept. Some shareholder groups have succumbed to these pressures, excluded outsiders altogether and expanded the number of family shareholders on the boards of their enterprises.

Obviously, this cannot be a long-term solution. It will be up to the new generation of Spanish heirs to learn to delegate their direct representation in governance roles and to embrace the benefits of increased rigour, oversight, and professionalism that comes from including independent outsiders.

Appreciation of women

On all accounts, democracy has greatly improved the opportunities open to women in Spanish society. Most – if not all – of the women I met over the years in the families I've worked with are professionals in their own right. Indeed in many of these families, it is the women who provoke (and often lead) the process of change. They are often the ones who are quick to grasp the systemic challenges that continuity poses for their families and frequently they are the ones with the interpersonal skills necessary to negotiate the transition process. And yet, in many instances the talents that women bring and the role that they play in facilitating continuity are not sufficiently recognised and appreciated.

Women in these families are often forced to exert their influence informally through back channels and in ways that undermine their authority in the system. In a number of cases I've witnessed, women who were very influential in bringing about constructive change in the governance of their family enterprises have been passed over as candidates for formal governance roles. Many who became involved in leading the process of change, ultimately feel ignored, burned out and betrayed when they are denied the recognition and access to formal leadership roles in the structures they helped create.

Recognising the contribution of women and the pool of talent they offer to the newly formed governance structures of these systems and learning to work across gender boundaries will be important challenge for the raising generation of Spanish family enterprise leaders.

Consultative network leadership

Moving away from a patriarchal authority model requires understanding alternative ways of exercising leadership and authority. Too often in my work in Spain, the succession issues associated with substituting a patriarch are framed in terms of who the successor will be when, in fact, the appropriate question ought to be how to evolve the entire system so that leadership can be exercised in a manner consistent with the demands of the future. As I've indicated above, autocratic leadership associated with a patriarchy is antithetical to complex governance.

The effective management of governance structures calls for a much broader conception of leadership. It calls for a constellation of leaders who are placed in different parts of the structure who work in consultation with one another in providing ongoing direction, accountability and

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control. Hence the chairman of a holding company, the chairmen of operating businesses, the chairman of the family office, and the chairman of the family foundation and of the family council must all collaborate with each other to make any governance system run effectively.

For this system to work, the contribution of all shareholders who participate in the governance system must be recognised and valued. Hence, complex governance calls for individuals who understand leadership – not as a role to be had – but as a coordinated function to be provided by people acting in different parts of the structure. For this to occur, those in leadership roles must come to view the family as an essential element in

the success of the enterprise rather than as a burden. These leaders must be deeply committed to the interests of all of the shareholders and willing to serve as bridges among the various branch and functional subgroups that make up the complex network. Indeed, these leaders need to be consultative in nature, but unafraid of accountability and of exercising the authority they've been granted.

Rising to the challenge

As a country, Spain remains very much at the leading edge of work on family business. The parting generation of family enterprise leaders in that country has built a unique institutional infrastructure for the next generation to educate themselves and society about the needs of the systems they've inherited. The IEF is without doubt a unique and exemplary institution – a model for others of how best to manage the interests and needs of this critical sector of the economy.

The IEF's success in curtailing the punitive effects of inheritance and succession taxes have fostered a climate that greatly facilitates continuity and gives Spanish family enterprises a strong competitive edge vis-à-vis their counterparts in other countries. Consistent with the spirit of the new Spain, the IEF's strategies have been deliberately aimed at furthering the interests of all family companies – large and small – even though it was started by representatives of the leading companies.

Above all, through its extensive educational programmes at all levels, the IEF has raised societal awareness of the fundamental socio-economic contributions made by family businesses and has led efforts to spread its success to the European Community as a whole.

It will now be up to the new generation of Spanish family enterprise leaders to rise to the challenge posed by the opportunities (and burdens) associated with the systems and institutions they inherit. The test of their mettle will be whether they have the strength and adaptability to learn new and more democratic ways of managing and governing their family enterprises.

As Goethe once put it: "What you have inherited...you must earn in order to possess." ■

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