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FAMILY FIRM IN THE BASQUE COUNTRY: SUPPORT ECOSYSTEM, CHALLENGES AND PRIORITIES

EXECUTIVE SUMMARY

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Executive summary

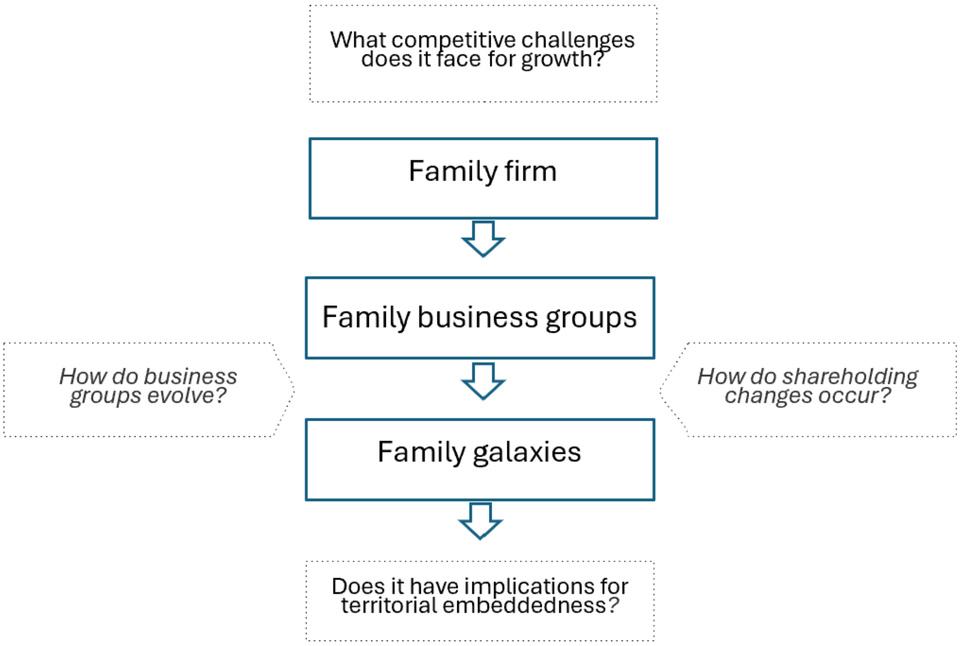
Family firms occupy a central position in the Basque economy: they account for 86.1% of the business fabric, provide 53.1% of employment and generate 45% of added value. Their continuity is therefore a key issue for competitiveness, employment, business resilience and regional roots.

This continuity does not depend solely on the internal capabilities of each business. It also requires a supportive ecosystem capable of guiding complex decisions regarding growth, ownership, governance, succession, talent acquisition, reputation and the relationship with the local area. It is therefore important to identify the stakeholders and actions that contribute to the development of family firms in the Basque Country and to assess the extent to which this ecosystem addresses the main challenges faced by business families.

The report adopts a dynamic perspective on the family firm and, as summarised in the figure below, does not propose an inevitable or singular evolution, but rather a framework for observing how some business families can transition from an operational company to family business groups and, in more complex phases, to family galaxies that integrate business, wealth, investment, legacy and other associated instruments.

This evolution enables us to formulate relevant questions for the stakeholders supporting the family firm: what competitive challenges does growth pose, how do business groups evolve, how do shareholding changes occur, and what implications does all this have for regional roots? Consequently, the support ecosystem must support not only individual family firms but also the evolutionary trajectories of the business family.

The evolutionary trajectory of the business family and strategic questions for the support ecosystem



An ecosystem with critical mass, but with uneven coverage

The mapping exercise identifies 47 stakeholders linked to the Basque context (4 institutional, 38 intermediary or organisational, and 5 social or community-based) and 56 actions carried out over the last five years. Initiatives with verifiable evidence, a direct or indirect connection to the Basque Country, and a duration extending beyond 2020 have been included.

The results show that the Basque Country has a broad base of stakeholders, initiatives and capabilities relating to family firms. However, support does not reach all the identified challenges with the same intensity. Therefore, the challenge is not to create new support structures, but to better organise what already exists, connect scattered capabilities and strengthen those areas where support for family businesses remains limited.

Five challenges for continuity and deep-rootedness

The report organises the analysis into five key challenges. The mapping reveals where support is concentrated and where gaps exist.

- Business growth and local roots. Support is available in relation to taxation, succession and financing. However, fewer instruments are identified that are designed to support the growth processes of mature family firms. Growing without losing family control or local roots requires more tailored instruments, such as patient capital, co-investment, tailored taxation or strategic support for succession.

- Advanced family governance. This is one of the areas with the greatest number of stakeholders and initiatives. There are workshops, conferences, training courses and programmes on family protocols, family councils, succession and professionalisation. The gap lies in moving from raising awareness to providing ongoing support to implement profound changes in the relationship between family, business, ownership and wealth.
- New generations and attracting talent. This is one of the areas where the least specific coverage has been identified, and which is being promoted particularly by family business associations. Generational succession cannot be approached solely as a matter of inheritance; it also requires attracting young and external talent, qualified profiles and new skills to tackle processes of transformation, innovation and growth.
- Values, image and reputation. Various initiatives to raise visibility, awards, events, case studies and educational activities have been identified that highlight the economic and social contribution of the family business. This dimension reinforces one of the challenges identified for this type of business by improving its ability to attract talent, engage new generations and strengthen the social legitimacy of the family business project.
- Dialogue and collaboration with the local community. There are forums, conferences, meetings and networking groups. The challenge is not necessarily to create more spaces, but to ensure they are useful for identifying needs, connecting capabilities and generating collaboration geared towards strategic decisions.

Family galaxies, an emerging issue

Alongside the five challenges, the report identifies a cross-cutting issue of growing relevance: the evolution of some business families into family galaxies. This concept allows for the analysis of situations in which the family coordinates a constellation of companies, assets, investment vehicles, foundations, family offices and other instruments through which it organises its influence, its economic decisions and its legacy.

In this context, *family offices* or wealth management vehicles take on importance as tools designed to manage family wealth, invest it and grow it over time. The report identifies 28 such vehicles linked to this dynamic. In recent years, their use has increased, implying that the business family is gaining prominence as an economic entity; it can make decisions regarding investment, diversification, capital inflows, divestment or the location of assets that affect the link between the business, the family and the local area.

Family galaxies are not a sixth challenge equivalent to the previous ones. They represent an evolution of the business family, encompassing growth, governance, investment, succession and regional roots.

What does the mapping as a whole reveal?

The mapping reveals uneven coverage, with a higher concentration of initiatives in the areas of networking and training. In contrast, there are fewer mechanisms designed to provide ongoing support for complex strategic decisions.

This limitation is particularly evident in three areas: i) the growth of family firms whilst maintaining long-standing ownership; ii) attracting young and external talent to family-owned SMEs; and iii) aligning wealth management sophistication, family continuity and regional commitment.

This analysis does not detract from the value of existing support. On the contrary, it shows that the Basque Country has an active foundation upon which it can build a more coordinated and effective framework. Based on this assessment, the report identifies three areas of focus to move towards more coordinated support:

- Organising and making the ecosystem more transparent. Systematising comparable information on stakeholders, actions, target audiences, types of support and challenges addressed would enable the identification of overlaps, gaps and opportunities for coordination. It would also help business families to better understand what support is available and when it can be useful.
- Develop a common language regarding the evolution of the business family. Distinguishing between family firm, business family, family business group, and family galaxy would enable support instruments to be better tailored to different business, family and wealth management realities.
- Develop support mechanisms for high-impact decisions. The ecosystem can be strengthened with mechanisms that support long-term processes of growth, succession, governance, capital infusion, professionalisation, talent attraction and wealth management. The aim is not to replace existing support, but to complement it with capabilities more focused on strategic processes.
- Align taxation with the development trajectories of family businesses. Analysing the coherence between tax instruments and the various scenarios identified would provide a better understanding of how they affect key decisions such as growth, investment, succession, capital inflows and the retention of decision-making authority. To this end, it is necessary to make progress in improving the statistical identification of family firms and in developing monitoring mechanisms that provide evidence to guide public policy.

In summary, the Basque Country has a broad and active network of institutions and initiatives supporting family businesses. Its next challenge is to evolve from a collection of initiatives towards a more coordinated support framework that incorporates the needs of family firms at their various stages of development. This is key to sustaining the continuity of family firms, strengthening the growth of their projects and preserving their contribution to the economic, social and territorial development of the Basque Country.

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