Looking for the Perfect Structure: The Evolution of Family Office from a Long-Term Perspective

Rafael Castro Balaguer, Universidad Autónoma de Madrid. rafael.castro@uam.es

María Fernández Moya, Universitat de Barcelona. mariafernandezmoya@ub.edu

Abstract. Since the 1950s-60s, the family firm has become the subject of an extensive literature, and interdisciplinary scholarship has developed a solid theoretical framework for re-establishing the family firm in the race for competitiveness, highlighting its special conditions to survive in the international economic landscape. The growth of infrastructure related to family business education, and the development of family business centres and professional associations, provided homes for communities focused on serving the educational needs of family business stakeholders. These institutions and people enabled the transfer of new ideas about management. By doing so, consultant, institutions and scholars encouraged a process of change of family firms that also affected other types of companies, i.e. family offices, organizations to protect their particular family's investments and assets for both current and subsequent generations. Clearly, the family office was not a new concept, but the changes operated in the family business field allowed its transformation into professional organizations by adapting general management ideas, practices and fashions to the needs of its client or owners. In this light, the present paper aims to reflect on the development of family business management as an institutional field and to put it in perspective, by analysing the changes occurred in family offices during the last century.

1. Introduction

The analysis of the particularities of Family Business as a field of research has undergone a remarkable growth in the international academic arena during the last decades. However, a brief review of the main literature of the field demonstrates that several concepts emerge within the term "family business", namely: family firms; other kinds of companies and institutions; and families in business in general, i.e. enterprising families who own companies and are behind all the corporative-business structures. Each of these concepts has received very different attention from management scholars. Most of the studies have in fact focused on the family firms, seeking to understand if these types of companies really are different from other business organizations, and what the "family effect" on firm performance is (an excellent overview in Dyer, 2006). These questions have led the research in family business during the last decades and have shed light on several important aspect of the field. On the other hand, putting the focal point on the family firm has sometimes distracted the scholar from seeing the whole picture, i.e. all the instruments designed by the enterprising family to develop their business activity and coordinate their presence in society. The rest of the corporative institutions, for example family offices or philanthropic institutions, have received scarce attention from the academic community and their activity is mostly analysed in press (economic and general) and partial studies.

Accordingly, the present article focuses on this relatively neglected topic within the study of family business by contributing to the debate with research in family offices. Specifically, the objective of this research is to analyse the evolution of family offices from a long-term perspective. In order to do so, the following research questions were formulated:

- Are the family offices a new concept?
- How has the management of family in business legacy and wealth evolved in the 20th century?
- What have been the main agents in the transformation of family office management around the world?

2. Theoretical framework, bibliography and key research topics

This paper is situated within two fruitful literatures that have developed over recent decades. The first involves the study of family business management and its management characteristics based on a theoretical approach (Colli, Fernández and Rose, 2003; Colli, 2003; Rose and Colli, 1999), with a special focus on Spanish family businesses as in studies by Paloma Fernández and Núria Puig (Fernández 2003; Fernández and Puig, 2007; Puig and Fernández 2008 and 2009). The second involves research on entrepreneurs and dynasties from a business history perspective (Chernow 1998 and 2001; Church, 1993; Dobbin Hall, 1988; Ferguson, 1999 and 2008; Jeremy 1984; Landes 2006; Morris 2006; Sluyterman and Winkelman 1993; Temin, 1999). Research on Spanish entrepreneurs and dynasties has been conducted by Jesús M ª Valdaliso (Valdaliso 1988, 2002, 2004), Luis Alonso (Villares and Alonso 2006; Alonso, Lindoso and Vilar 2008), Pablo Díaz Morlán (2002a, 2002b, 2002c and 2004), Hilario Casado and Ricardo Robledo (2002), Elena San Román (2009), Martin Rodrigo (2001), Miguel A. López-Morell (2005 and 2008), Eugenio Torres (1993 and 2000), and Núria Puig (Torres and Puig, 2008; Puig and Fernández, 2010) and take on a generic approach to business history and evaluate the importance of families in terms of industrialization rather than highlighting the theoretical specificity of family business. .

This paper aims to complement both lines of research. With regard to the former, this study attempts to explain not only the survival of a family business as a specific institution but also the tools used by a family business to survive in the long run and maintain its elite position within an industry. With respect to the second line of research on the history of dynasties, enterprises and entrepreneurs, this paper aims to provide information on the instruments used to channel family business activities by using and expanding theoretical models and concepts from previous research on family businesses. A long-term analysis can show how these instruments have evolved over time. This research also draws on work on the dissemination of ideas and techniques of business management, especially research by Núria Puig and Matthias Kipping (Kipping and Engwall 2002; Kipping, Usdiken and Puig 2004).

With the previous literature now described, this section conceptualizes and defines the key business concepts and management structures in order to compare them.

What is a family office? Why did the concept become prominent in the 1970s and 1980s? We define the term 'family office' as a private office for managing and preserving the wealth of the proprietary family.

Within the body of research on this subject, a legacy is understood as a set of values, beliefs, principles and assets (i.e., financial, tangible and intangible) that is transmitted from generation to generation in a family business. Though its definition is complex and imprecise, family legacy is one of the central concepts in the study of family business and family business continuity.

Another of the key concepts in this paper is the practice of “interlocking”. Following Mizruchi (1996), we understand that interlocking occurs when a director affiliated with the board of directors of one company sits on the board of a different company. Studies on this subject usually analyze the influence of this link between businesses on the decisions and strategies of the companies, demonstrating that interlocking affects organizational learning, the imitation of practices among firms, and their position and legitimacy (Mintz and Schwartz 1981; Davis and Mizruchi 1999; Davis, Yoo and Baker 2003; Windolf 1998; Salvaj, Ferraro and Tàpies 2008). Company directors are involved in decision-making at the highest levels, and their experience and information acquired in one company can be transferred to another company through discussions and decisions at monthly meetings or regular board meetings. These regular meetings are defined by Davis, Yoo and Baker (2003) as the ideal location for the dissemination of practices, strategies and rumors (Salvaj, Ferraro and Tàpies 2008). Interlockings are therefore potential vehicles for learning and disseminating knowledge (Powell 1990; Uzzi 1996; McDonald and Westphal 2003; Salvaj, Ferraro and Tàpies 2008), and they serve as tools to increase the social (or relational) capital of the family business (Lester and Cannella 2006).

3. Significant changes in family offices

If we define the term 'family office' as a private office for managing and preserving the wealth of the proprietary family, we note that many wealthy enterprising families in the 19th and 20th centuries had a family office. In fact, some scholars have pointed out family offices that began during the Roman Empire. More recently, during industrialization, families used these family offices to invest in new business opportunities. There existed, therefore, entities to manage the family patrimony and to advise families in managing their patrimonies. A paradigmatic example is the House of Morgan founded in the 19th century, which was a private bank of the Morgan family that offered its expertise in managing a considerable fortune and other matters related to the maintenance of patrimonies to families such as the Astros, Guggenheims, Duponts and Vanderbilts. Some scholars argue that this institution marks the birth of the so-called "affiliated multifamily office" in the United States.

However, it should be noted that in 19th century Europe, it was common for wealthy families to be advised by private banks in managing their assets. Institutions such as the Pictet & Co.

Bank have managed family wealth since the 19th century. Of course, these entities were not responsible for the transmission of the family legacy or for training successors.

As such, can the firms of the 19th century and the 21st century be called family offices in the same sense? Or are we designating different institutions? To answer these questions, this section analyses the case of the Masaveu family and its means of managing its patrimony through the century-old Casa Masaveu. In the second section, the paper reconstructs the great change, during the sixties, in the management of family firms and analyzes how this change affected the management of family-owned companies.

3.1. Casa Masaveu: a century-old family office?

The Masaveu business was founded in 1840 by Pedro Masaveu Rovira. It was designed for trade in textiles and the banking sector. It has been known since then as Casa Masaveu. This term “casa”, which had already has family connotations *per se*, referred to a business group united by kinship among the owners. The company refers to its founding as a time marked by social relations in business based on two pillars: personal honesty and financial solvency, with family solidarity being the key to sustaining the entity. Legally, it was a limited liability company.

The founder of the Masaveu dynasty, Pedro Masaveu Rovira, was an Asturian entrepreneur who had businesses in several areas, including textile trading. Through the new partnership, Casa Masaveu, the family business took an active role in the economic development of Asturias. Many of the businesses were short- and medium-term investments or projects, but others became long-standing companies. The Masaveus were involved, for example, in the Compañía de los Ferrocarriles Económicos de Asturias [Asturian Railway] (1889), Marítima Ballesteros [Ballesteros, shipping] (1890), Sociedad Industrial Asturiana Santa Barbara [Asturian Industrial Society Santa Barbara, mining company] (1895), Sociedad Popular Ovetense [Overtense Popular Society, electricity and gas] (1898), Cervezas el Aguila Negra [Black Eagle, a beer brewery] (1900), La Industrial de Ventanielles [Ventanielles Industrial Company](1900), Constructora Gijonesa [Gijones Construction] (1900) and the Sociedad Espanola de Aceites Vegetales [Spanish Society, vegetable oils] (1901) (Tàpies, 2009). Undoubtedly the best-known company is Tudela Veguín, which was founded in 1898 by Elías Masaveu Rivell to manufacture artificial cement, a revolutionary invention for construction in Spain at the time.

The case of Masaveu allows us to define two concepts to further understand corporate families. Tudela Veguín became the reference family business for the Masaveu family, although Casa Masaveu would manage participation in other businesses, a move that reflects the entrepreneurial spirit of the family.

Beyond the cement business, the spirit of entrepreneurship of the Masaveu family led them to banking. Elías Masaveu participated in the creation of various financial institutions that depended on the Masaveu Bank, such as Juliana y Compañía [Juliana and company], a consortium of banking businesses managed by the Herrero, Masaveu and Alvaré families, and Banco de Oviedo [Oviedo Bank] and Gijonés de Crédito [Gijones Crediting], which worked in association with the Banco Español de Crédito (Banesto). When Banesto absorbed Juliana y Compañía and the Gijonés de Crédito, the Masaveus kept a seat on the board of one of the largest banks in the country, Banesto (Tàpies, 2009). In 1982, the family sold Banca Masaveu but remained in the banking sector. The family held a seat on the Banesto board until 1992, and they continue to hold significant blocks of shares in other financial institutions such as Banco Herrero [Herrero Bank], Banco Santander [Santander Bank] and Bankinter.

Since 2009, Casa Masaveu has been legally known as Corporación Masaveu since 1985, and its ultimate controlling shareholder (through several companies) is Fundación Cristina Masaveu Peterson [Cristina Masaveu Peterson Foundation]. The Corporation has investments in Bankinter, Banco Santander [Santander Bank], Bodegas Pagos de Araiz [Pargo de Araiz Vineyard], Ediciones Nobel [Nobel Editions, publishing house] and Hoteles y Turismo de la Meseta [Plateau Hotels and Tourism], among others.

Rather than the specific survival of any number of a family business's companies, the family business's long-term vision is key. The Masaveu family's description on its website is eloquent on this point: "We are a family-business group based in Oviedo (Spain) with an international presence. Since our founding in 1840, we have reinvested generated profits to finance future investments, opening new lines of business, enabling the growth of our businesses and encouraging job creation. In this sense, without losing our identity, we adapt to the changes taking place and the professionalism required at a given moment for the evolution of the company, maintaining a permanent commitment to quality in all our products and services."[1]

The Masaveu family has been able to develop these businesses across five generations by naming a successor who would serve as the visible head of the family for all business branches and areas. Perhaps surprisingly, in several cases, these processes of inheritance have not been from parents to children. The founder, Pedro Masaveu Rovira, turned over the management of the Casa to his nephew Elías Masaveu Rivell, who had trained alongside him in the business. Elías Masaveu Rivell remained head of the family until 1924. The third generation of the business was headed by Pedro Masaveu Masaveu, eldest son of Elías Masaveu Rivell, who was responsible for the business until the 1960s. His successor was his son Pedro Masaveu Peterson, who headed the family until his death in 1993. After him, his cousin Elías Masaveu Alonso del Campo became president of Casa Masaveu, although the majority shareholder remained Cristina Masaveu Peterson, Pedro's sister. In 2005, Elías Masaveu was replaced by his eldest son, Fernando Masaveu Herrero, as head of the family business, again with the support of his aunt Cristina Masaveu as majority shareholder.

How has the entrepreneurial spirit been transmitted? Although there is a lack of information on the specific tools used by the family to prepare their successors, available data support the conclusion that the family's legacy has been transmitted through the policy of pre-selecting the successor, who then received specific training in three ways: formal education, internal training from working in the Casa and external interlocking training by acting as an advisor to the

[1] http://www.grupomasaveu.es/

companies in which the family is involved (e.g., Banesto or Banco Herrero [Herrero bank]). External training thus allowed successors to come into contact with other forms of management. Interlocking was also a source of social capital that could be passed on to younger heirs.

3.2. The change in the 1960s

In the United States in the mid-1950s, the research on the family business model slowly began to change. The first relevant study on family businesses was a 1953 presentation at the University of Indiana on Grant H. Calder's doctoral thesis entitled *"Some management problems of the small family controlled manufacturing business".* In the 1960s and 1970s, a group of scholars began to develop a theoretical framework that attempted to analyze the concept of the family business and rethink the limitations usually ascribed to it (Sharma et al. 2007).

Two questions have guided these discussions on family businesses: What are the effects on a company of having a family as its owner? Why does the family business deserve a specific analysis as a business model? Generally, the literature on this subject highlights that family-owned companies have significant challenges regarding conflicts between family member succession lines, which distinguish them from other companies. Nevertheless, family business have several potential advantages in terms of personal incentives, commitment, reduced agency costs due to altruism and family member involvement, enhanced corporate social responsibility and philanthropy, flexibility to adapt to change, innovation and the accumulation of intangibles (Casson 1999; Galve and Salas 2003; Bertrand and Schoar 2006; Dyer 2006; Tàpies and Ward 2008; Puig and Fernández, 2009).

In light of these management characteristics, the international academic community has acknowledged that the family business is, without doubt, a worthy object of study, not only because it represents the majority of businesses in the international business community but also because of its special characteristics and efficient ownership structure. The most visible evidence of the growing importance of research on family businesses is the sheer volume of work presented in this area at annual management and business history conferences (specifically the European Business History Association conference and the Business History Conference), the creation of an annual conference specifically for this type of research (International Family Enterprise Research Academy IFERA), the founding of a journal focused on the analysis of family businesses called *Family Business Review,* which has a high impact factor and the publishing of numerous papers in notable business history journals, such as *Business History* and *Business History Review.*

In parallel with the academic debates on family firms, some universities began the development of infrastructures related to family business education, and family business centres and professional associations were launched. However, the critical role in energizing family business education in the earlier period was played by practitioners, namely family business owners and consultants, who used these places to attend to a growing demand: educational needs of family business stakeholders (Sharma et al, 2007). These institutions and people enabled the transfer of new ideas about management (following the works on general management trends of Kipping and Engwall, 2002; Kipping, Usdiken and Puig, 2004) in the specific field of family business.

Table 1 presents the pioneering key dates within the discipline:

Table 1

Some relevant dates in Family Business international arena

Publications	Centres	Program	Associations	Journals
1953 Grant H. Calder presents the first doctoral dissertation "Some management problems of the small family controlled manufacturing business" at Indiana University.	1962. Center for Family Business founded by Léon y Katy Danco in Cleveland (Ohio),	1982. Wharton Family Business Program at Wharton Applied Research Center.	1985. During the Family Business Research Conference in University of Southern California, was born the FFI (Family Firm Institute).	1983. *Organizational Dynamics* published a special isue about family business
1958 Book: "Financial problems of the family company"	1975. Ralph Marotta Chair of Private Enterprise creada in Loyola University.	1984. "Study of Family Firms program at Yale University	1986. Family Firm Institute Inc. (FFI) was founded President: Barbara Hollander.	1988. *Family Business Review* was launched Editor: Ivan Lansberg
1961. Sptephan Cambien´s book: "Family Problems in the Business"	1978. Streich Chair in Family Business at Baylor University.	1984. "Management of the Family Business" within the MBA program at University of Southern California.	1990. Family Business Network (FBN) was founded	1989. *Family Business Magazine*, Family Business Publishing Company (Philadelphia).
1964. Robert Donnelley´s article "The family business" in Harvard Business Review, 42(3).	1981. Chair of Private Enterprise In Kennesaw State College.	1985."Family Business Program" at College of Business, Oregon State University	1992. Instituto de Empresa Familiar (Spain)	1993. *Business History* special issue on "Family Capitalism". Editors: Geoffrey Jones and Mary B. Rose.

Moreover, to help family firms sustain a complex organizational structure, develop growth strategies or market orientation, consultants and educational centres contributed to the dissemination of new management ideas and practices about family business that enabled the transformation of a family-based and personal style of management into a professional one. The central idea (Tagiuri and Davis, 1982) of taking into consideration and carefully managing the three spheres that appear in a family firm (family, business, ownership) was broadly diffused by consultants and institutions. It is common to consider that these changes affected the family firm. Nevertheless, as the changes directly affect the mentality of the members of the families in business (they went to the educational centres, they hired consultants), our hypothesis is that these changes operate in all the institutions managed by the enterprising family. The relationship between the three spheres was now managed using Family Protocols or Family Constitutions, and shaping structures such as the Family Council or advisory boards.

Consultants helped in the governance of an enterprising family, advising on succession planning, strategic planning processes or family business education.

The changes resulting from the new philosophy (or new "style of management") for managing family business assets are as follows:

	FAMILY BUSINESS	FAMILY OFFICE
Objective	Manage the influence of the family in the business. To separate spheres of influence.	Link equity investment and management of the patrimony with the transmission of the family legacy.
Impact	Changes in governance systems, including the board of directors and family council, family assembly and family protocol.	Changes in governance systems. Legal and fiscal structure designed *ex profeso.* Changes in functions.

It was amid these changes that the family protocol (or family constitution) was created. Structures were designed specifically for family businesses, such as family assemblies and family councils. A review of each of these tools follows.

According to Miguel Ángel Gallo and John Ward, the family protocol (or family constitution) is a strategic planning tool capable of capturing the specific characteristics of a family business and strengthening unity among members of the family and their commitment to the company. Josep Tàpies and Alfonso Chiner (2004) defined the family protocol as an agreement among family members on how to manage their rights in the family business by establishing a set of rules governing corporate organization and the relationship between the family and the business. In any case, the protocol should not be treated exclusively as a final document, but it should include a process to define and manage the legacy with respect to members of different generations of the family (China and Tàpies 2004).

The concept behind the family protocol has its roots in strategic planning studies of family businesses; according to Ward, the term aims to address the dual nature of family business companies by simultaneously developing the company's strategic plan alongside the strategic plan of the family, identifying the individual goals (both personal and professional) of family members and establishing a system to regularly review the themes and objectives of the family. Historically, management has focused only on the company, but since the mid-twentieth century, rules governing the family network or the family dimension and the relations between the two spheres began to be established.

If the protocol is an agreement that takes the form of a legal document, both the family assembly and the family council are two structures within the family system that are nevertheless formally outside the family business. The family assembly is the body that represents the entire owning family, including all of its branches, regardless of the number of shares held by each individual or family branch. The family council is a body comprised of a selection of individuals chosen by the assembly. Its purpose is to mediate between the family and the company, defending the interests of the family in the course of business. The family council is a formal structure whereby the values, norms, interests and expectations of the family are institutionalized as interests and are exercised legitimately. More than a corporate governance structure, it is a structure of family governance. The main purpose of family governance is to provide a *forum* in which family members can articulate their values, needs and expectations *vis-à-vis* the company and develop policies that safeguard the interests of the family.

Outside consultants help manage all of the needs of the family, from issues of succession to the family's relationship with the company. According to the new philosophy, formulas for organizational architecture can be tailored by consultants to suit the family, enabling it to manage all of the institutions that belong to it in a rational manner by creating synergies between them and thus minimizing costs. In this new context, scholars emphasize not family businesses *per se* but rather the set of tools used to manage the family business.

Moreover, in the context of this shift, the family offices, which were businesses used by the family to manage investments, acquired a new dimension: they became an instrument within the new system designed for the corporate family. The term "family offices" is not homogeneous because each family office is tailor-made for each family. Moreover, these family offices are companies with different legal structures with different sizes and of different types, such as holding companies, holders of shares in the family business or simply investment vehicles. The family office is a generic phrase that refers to a structure that manages the needs of a family business, which each family adapts to its own activities, objectives and context.

At this point, the number of family offices rose extraordinarily; the institution became more and more popular for private wealth management. As an example of its success, in 1989, the Family Office Exchange was established, which is an advisory firm specializing in family offices. According to this institution, there are 3,850 family offices in the world; 3,166 are based in North America and the Caribbean, 35 are based in South and Central America, 575 are in the U.K. and Continental Europe, and 74 are in the rest of the world.

While family offices continue to manage and preserve family patrimonies, there are three types in existence today:

1. The single family office is dedicated to a single family. Generally, at least $500 million in assets are necessary to profitably build a family office. In terms of advantages, it can be adapted to the needs of the single family such that structure and its activities are designed according to the culture and values of the family business. Other strengths are confidentiality and its ability to reflect the image of the family. The most important disadvantages are the cost of a single family maintaining this structure and the need to hire and supervise specialized personnel.

2. The multi-family office is run by several families. It allows families with similar values and cultures to work together and create synergies, increasing their capacity for investment. However, there are risks due to conflicts with the other families and conflicts of interest. One example of this type of family office is the company Cantiles XXI, which was

formed by the founding families of Elecnor, who maintain a 51% stake in publicly traded shares in that company.

3. The affiliated multi-family office is a multi-family office affiliated with a financial institution, trust company or other institution. These are family offices that are operated by banks or specific entities that offer financial services in addition to legal, tax, legacy maintenance and family cohesion services. The advantages are clear; these offices provide a highly professional and experienced team of managers, reduce task monitoring and entail lower costs by not creating a dedicated structure. Disadvantages include depersonalization and the transfer of part or all of the assets to the office for management. Moreover, it does nothing to promote the public image of the family business, and sometimes, its investments do not reflect the culture or values of the family business.

These new family offices are designed to integrate financial aspects (e.g., asset investments and tax issues) with legacy transmission and family cohesion (e.g., training successors, promoting actions that support the family unit and engaging in philanthropic activities). The financial advantages are derived from its flexible structure, which entails few fixed costs and is ideal for diversifying and building the family business and for taking of advantage of business opportunities unrelated to the core business. In addition, the family business can support activities that promote family cohesion through the same structure.

To illustrate the evolution of international family offices and to empirically evaluate changes, we first analyze a case from the U.S., Bessemer Trust, which is the largest multifamily office in the United States. Then we analyze a study on large international family offices.

a) Bessemer Trust: the largest multi-family office in the United States

> “People are not concerned simply with transferring financial assets. They're interested in how their wealth will affect the lives of their family”
>
> William H. Forsyth Jr., Senior Fiduciary Counsel of Bessemer Trust

The history of the Phipps family perfectly illustrates the evolution of the family offices in the 20th century. The origins of the family go back to the 19th century, when Henry Phipps founded with Andrew Carnegie the “Carnegie Steel Company”, a steel producing company that became an important actor in North American industrialization. In 1907, Henry Phipps formed Bessemer Trust as his family office to manage the proceeds from his stake in the sale of Carnegie Steel. The company was a typical old family office. In 1911, Phipps formalized his legacy and wrote a letter to each of his five children expressing his wish to pass the family business on to them. In the letter, Phipps gave specific directions about the management of the family business and its core principles of private ownership and reinvestment of earnings: “my earnest desire that a prudent and conservative management of the Company shall be maintained and enforced and that each of you shall put proper restrictions upon your expenditures and lay aside a reasonable proportion of your income" (www.bessemertrust.com). The company remained a traditional family office managed by the proprietary family.

But in 1974, Bessemer Trust changed its purpose. The Phipps family decided to invite other like-minded families to use their family office capabilities and accumulated knowledge. This allowed the company to maintain the critical mass required to attract the best investment and wealth management professionals and to offer a complete array of services, among them legacy planning, tax strategies, philanthropic advice, financial services, or even concierge services. During the "new era for family business" (1960s onwards), the old family office was transformed into a modern family office. Nowadays, over 2,000 families participate in the firm and Bessemer Trust is the largest multi-family office in the United States.

b) Single family offices: what are they used for today, and how are they structured?

It is not easy to answer this question because family offices are heterogeneous. Moreover, there are few studies on family offices based on primary sources due to difficulties in access related to confidentiality. One of the few available studies is that by Raphael Amit, Heinrich Liechtenstein, Julia Prats, Tood Millay and Laird P. Pendleton (2008). Their research includes data from large single-family offices with investment assets in excess of 100 million dollars. The sample includes 138 single-family offices based in different parts of the world, including the United States (42%), Europe (50%) and the rest of the world (7%, including Australia, Hong Kong, Japan, Malaysia, Philippines and Singapore). In their study, they had a response rate of 99%.

In that study, members of business families indicated the roles played by family offices as follows:[2]

- Maintain financial assets (100)
- Consolidate accounts (between 75 and 100)
- Maintain family unity (75)
- Promote family education (between 50 and 75)
- Engage in philanthropy (between 50 and 75)
- Serve as *concierge* (between 25 and 50)

Family offices also had committees dedicated to specific tasks, including:

- Investment committees: 43% (U.S.); 74% (Europe); 56% (rest of world)
- Education committees: 9% (U.S.); 12% (Europe); 22% (rest of world)

[2] The number represents the degree of importance on a scale of 0 to 100.

- Client Relationship committees: 2% (U.S.); 7% (Europe)
- SFO boards: 21% (U.S.); 52% (Europe); 56% (rest of world)
- Audit committees: 7% (U.S.); 30% (Europe); 11% (rest of world)

In all cases, family office managers were multidisciplinary teams of trusted top professionals, including economists, lawyers, psychologists and advisors specializing in family business. They came from specialized consulting firms and headhunters.

4. Family offices in Spain.

4.1. Introduction to the model: the roles of business schools and consultants

Following trends in the international academic community, the Spanish research community has recently begun to study the role of family business in the economy. Not only have Spanish scholars researched the longevity of family firms, but they have also looked at the role of family firms in the internationalization of Spanish companies. Such work has focused on two aspects of family business: the longevity of the family business and the professionalization of the family business through leadership training.

In the Spanish case, longevity is understood as follows (Puig and Fernández 2008: p.98):

- The hierarchical organization of the company. That is, the order imposed by the family leader and the leader's control over the company.
- Continuity of all members in the same company and their adherence to a mission and a particular kind of community. That is, continuity in family values.".
- Connection with various media (e.g., economic and geographic media)

The professionalization of Spanish family businesses is understood as follows:

- The ability of entrepreneurs (i.e., family members) to keep abreast of innovations, trends and business opportunities within and outside Spain.
- Willingness of the family business to diversify in ways both related and unrelated to the core business.
- Early-on alliances with specialized consultants and business schools.

All of these key points are focused on teaching and education (Newton, 2002). Within Spain, the main drivers of modernization have been foreign investment, especially European investment. However, since 1953, the greatest influence has come from the United States. The treaty signed that year between the two countries allowed for the gradual transfer of technology organized around a program called Technical Assistance led by the engineer Fermín de la Sierra (Puig and Álvaro, 2004). De la Sierra was the secretary of the Comisión Nacional de Productividad Industrial (NCIP) [National Commission of Industrial Productivity], which was the agency through which major technical education projects were designed, including regional industrial productivity commissions and the Escuela de Organización Industrial (EOI) [School of Industrial Organization]. However, the institution that represented the most success in technology transfers from the American perspective was the Asociación para el Progreso de la Dirección (APD) [Association for Management Development], which was created in 1956 (Puig and Fernández 2008: 100 - 101). Among the founders and early members of the APD were many owners and managers of family businesses.

In the early 1950s, the training of entrepreneurs, managers and technicians became one of the priorities among the American support schemes in Spain, with family businesses being the most receptive to this training. Specifically, they were early adopters of the new institutions that came from beyond Spanish borders, namely, consulting firms and business schools.

Many of the business schools were created almost simultaneously. Thus, the EOI (founded in 1955), the Catholic Institute of Business Administration (ICADE; founded in 1956), the School of Business Administration (EAE; founded in 1957), the School of Management and Senior Administration (EADA; founded in 1958), the Graduate School of Management (ESADE; founded in 1958), the School of Management Engineers (ESIC; founded in 1965) and the Business Institute (IE; founded in 1973) preceded the liberalization of the Spanish economy and its integration into Europe. Most business schools were located in Madrid and Barcelona, and many of them had the support of Catholic organizations aligned with the technocrat movement.

With regard to consultants, Bedaux, which had a Spanish subsidiary established in 1952 and was directed by the wife of the founder Charles Bedaux, had a virtual monopoly on business consulting in the 1950s and 1960s in Spain. Since then, the Spanish consulting market has become more sophisticated and internationalized, and it is now one of the largest in the world (Kipping and Puig 2003).

Both business schools and consulting firms tried to adapt to the needs of family businesses in Spain, but their efforts were not enough. While many of the family businesses showed an early interest, these schools and firms only offered very standardized services, which were poorly adapted to the challenges of family business and although they welcomed programs such as the Master in Business Administration (MBA) or the Program for Senior Business Managers (PADE), family businesses were not completely satisfied by these programs because they felt that their problems were specific to family business and thus required specific solutions. Spain's entry into the EEC increased their needs. Hence, from the 1980s, many business leaders established contact with European business schools specializing in family business, especially the International Institute for Management Development (IMD) in Lausanne, which is the seat of the Family Business Network. They also hired specialized consultants such as the Venezuelan-born American psychologist Ivan Lansberg (Puig and Fernández 2008: 106 and Fernández 2003: 46). Other consultants to family businesses were John Ward, Ernesto Poza and Samuel D. Eaton.

Many family entrepreneurs, especially those of Catalán origin, had passed through the above-mentioned business schools, often the Instituto de Estudios Superiores de Empresa (IESE), so they were quite receptive to new management ideas from consultants. These new ideas paved the way for the next two steps in the professionalization of the Spanish family business in the 1990s: the training of human capital and the organization of family businesses into a political lobby.

4.2. The role of the IEF

It was not a coincidence that the first chair of family business would be founded at IESE in 1987 under the direction of Miguel Ángel Gallo and that the same school would create the Instituto de Empresa Familiar (IEF) in 1992.

The IEF was created at the initiative of 40 founding companies, including Media Planning, Puig, HUSA, Freixenet, Catalána Occidente, Agrolimen, Uniland, Molins, Planet, Godó, Nutrexpa, Esteve, Uriach and Bertrán. A group of businessmen who were mainly Catalán believed that family business was not adequately represented as a specific ownership type in Spanish business organizations (INSTITUTO DE LA EMPRESA FAMILAR 2004: 20-23). On its website, the IEF is defined as "a non-profit Spanish association constituted by a group of family entrepreneurs. All of its members are presidents, CEOs or members of the board of companies they own."

The origin of the institution was quite casual. In 1991, the then-governor of the Bank of Spain, Mariano Rubio, met with a group of Catalán businessmen in Barcelona. During the meeting, the attendees realized that they were all directors of family-owned companies. During casual conversation, the idea of promoting a business group that focused on problems specific to this type of company was proposed. To facilitate national implementation, the Catalán businessmen recruited colleagues from other Spanish provinces such as Messrs. del Pino, Entrecanales, Ybarra, Solans, Ortega, Osborne and González Byass (IEF, 2004: 22).

The founding meeting held in Barcelona in 1992 established two important conditions: setting a maximum number of 100 members and limiting the presidency of the institution to two years (IEF, 2004: 23). These measures were taken for practical reasons. From an operational standpoint, it was a more agile and efficient structure to limit membership at 100 companies than, for example, 2,000. Furthermore, this allowed greater homogeneity among the members so that the Institute would not compete with other employer's organizations. (IEF 2004: 26). In our opinion, they avoided creating an institution that mixes different types of family businesses, such as large (such as Ferrovial or FCC) versus smaller companies (such as SMEs) or companies with different needs and different abilities. The two-year limit on the presidency enabled managers to assume that position while simultaneously managing their businesses.[3]

What work has the IEF done? The role of the IEF and its associations has been crucial in both influencing the legal and fiscal framework of family business at the national and regional levels as well as encouraging members to professionalize (Puig and Fernández, 2008). The IEF's first task was to commission a study on the taxation of Spanish family businesses and compare Spain's system to the systems in place in eight European countries, Canada and the United States (IEF 2004: 30). The results of the study indicated that Spain treated family business very poorly. Thus, the first goal of the IEF was to achieve better tax treatment for its members.

[3] IEF (2004), p. 26. The presidents of the IEF have been: Leopoldo Rodés (1992-1995) (who remained as Honorary President), Mariano Puig Planas (1995-1997), José María Serra Farré (1997-1999), Rafael del Pino y Moreno (1999-2001), José Manuel Lara Bosch (2001-2003), Alfonso Soláns Soláns (2003-2005), Juan Roig (2005-2008) and Simón Pedro Barceló (since 2008).

The task of professionalizing the family business came in tandem with the training work of the IEF. One of the founding objectives of the IEF was to train business professionals "to help them prepare their successors and to successfully face the trauma of succession. The path chosen was the dissemination in Spain of the best strategies used in advanced countries to successfully cope with succession processes" (IEF, 2004: 41).
To train human resources as needed to accomplish these goals, the IEF heavily promoted international links. The foundation of the IEF reflected the modern trends in Spanish family businesses that nevertheless were global in dimension at that time. In the IEF, two international institutions, both of which were pioneers in the analysis of family business as a specific topic of study, were particularly influential: the U.S. Family Firm Institute (FFI) and the Family Business Network. The FFI was founded in 1986 as an academic institution devoted to studying the problems of family business. The Family Business Network was founded in Switzerland in the 1980s as a nonprofit institution seeking to spread knowledge of family business. Links with other countries were heightened in 1997, when several French family business owners contacted IEF founders to learn more about the creation of the institution. They were interested in establishing an entity of this kind in France. The talks became more frequent and fruitful, and finally, the Agrupación Europea de Empresas Familares (known by its French acronym FATF) was created, with headquarters in Barcelona on the premises of the IEF. The first president was the Spaniard Mariano Puig, in recognition of his work at the IEF. The new body was similar to the Spanish entity, but it would exert its influence on European community authorities (IEF 2004: 56-60).

4.3. A case study: The Del Pino Family.

After the creation of institutions geared at family business (including chairs, the IEF and international contacts), the use of specialized consultants became widespread. In many cases, these consultants served as the principal advisors in achieving the greatest tax benefits and deductions allowed by law (Fernández 2003: 46-47). A second, smaller group has specialized in consulting large and medium-sized companies that have potential conflicts in inter-generational succession and ownership. This second type of consultants has has developed a broad set of practices to help resolve such conflicts. For example, Landsberg and the other consultants mentioned above have recommended drafting family protocols to strictly separate the interests of the family from those of the company. In some cases, the creation of family councils was accompanied by the creation of family offices, particularly in the late 1980s and early 1990s.

When family offices were first introduced in Spain’s major family businesses, the CFO focused not only on company business but also on family issues; this was because the company’s main entrepreneur or founder was focused on business interests, with almost no time to devote to asset management. Only when businesses had significant liquidity or had reached a critical size could they systematize the use of family offices.[4]

To illustrate, we focus on the family office of the Del Pino family for two main reasons. First, we had access to primary sources about the family office, and second, the family office provides a clear example of the recent professionalism of the family company in Spain.

According to Rafael del Pino, founder of Ferrovial in 1952, "at the beginning of the company, we needed a tax specialist, an economist and an attorney. Those were the three main pillars to achieve at least two basic objectives: help maintain family unity and improve the performance of the family assets". [5] Obviously, the reflection of the patriarch of the del Pino family was limited to the 1960s. As Ferrovial grew, the management of the Del Pino family patrimony became more professionalized, which culminated when the company became public in 1999.[6]

This milestone in the history of the company caused a radical change in how family matters were managed. Aware of their wealth after the IPO, Rafael del Pino exchanged the very personal management of his trusted lawyer, economist and fiscal specialist Ricardo López Morais for a family office with two heads: Portman Baela, which managed Grupo Ferrovial, and Casa Grande de Cartagena, which managed the family patrimony.

As mentioned above, the funding began in 1999, when the company became public. Beginning in 2000, work began on the creation of the family office. The 2002 addition of Eusebio Vidal Ribas as CEO of Casa Grande de Cartagena accelerated the professional management of family assets. At that time, the structure was elementary and based on the previous, highly personalized style of management that included one man of considerable fortune (Rafael del Pino) together with one administrator (Ricardo López Morais) working in the office next door.

Although Rafael del Pino delegated responsibilities to professionals with proven experience, the idea to develop a Family Office came from the founder of Ferrovial. In the words of Eusebio Vidal-Ribas, "he grew older and saw that he had to start changing the structure, and it started from a very clear idea he had based on three pillars." One of the pillars is Ferrovial, which is managed by Rafael del Pino Calvo-Sotelo, the eldest son of Rafael del Pino, who has had a long career within the company; Ferrovial is also under the majority control of the family. The second pillar is the Rafael del Pino Foundation, which was a philanthropic organization. Finally, the third pillar is the family office, Casa Grande de Cartagena.[7]

The three pillars report to a family council chaired by an independent external figure named Alfredo Saénz; the five children of the family also participate in the council. The Foundation is managed by Amadeo Petitbó, who reports to the board. Meanwhile, Rafael del Pino Calvo-

[4] Personal archive of Rafael del Pino y Moreno (ARP), Fondo Instituto de Empresa Familiar [Family Institute of Business Funds], Documento del IEF, n° 152 [IEF document, n° 152].

[5] *El País [the national newspaper]* (June 19, 2006).

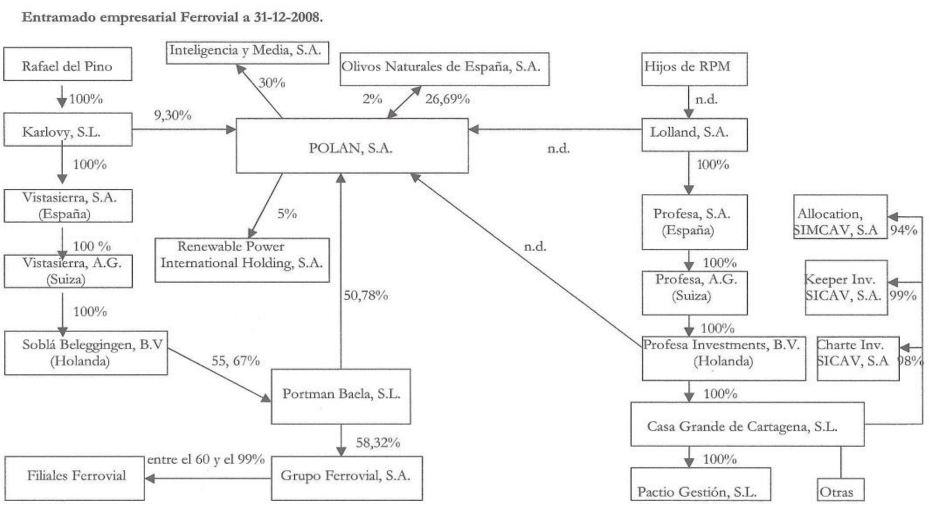
[6] ARP, Fondo Ferrovial Caja 25, Memorandum on the public listing of Ferrovial.

[7] ARP, Fondo Instituto de Empresa Familiar, Documento del IEF, n° 152.

Sotelo reports to the family council on the major operations that occur in the company, while Eusebio Vidal-Ribas reports on matters related to asset management.

Casa Grande de Cartagena employs 22 people, serving the family and managing the Foundation's portfolio. It is governed by a protocol that dates back to 2004. The family protocol of the Del Pino family regulates decision-making, internal processes and even the entry of family members into the Family business. Casa Grande is managed by external professionals; none of the family works there. As the CEO, Vidal-Ribas reports to the board, which comprises four family members, a secretary and three external consultants. These outside consultants are three directors of Canadian and European family offices.

Once the structure was assembled, the family, assisted by **Casa Grande de Cartagena**, made decisions with respect to family office services and family office investments. The latter, according to Eusebio Vidal-Ribas, "was easy as it was matter of convincing the family that there should be a centralized and strategic allocation [stock investment] according to the profile of the family and the origin of the funds." It was understood that the family's approach to the stock markets should be much more conservative than that of Ferrovial. After many meetings to decide on investment profiles and asset combinations, an arrangement of traditional assets and alternative assets was created with a 70%-30% ratio in favor of traditional assets based on studies over the past 40 years. The structure of asset management and the network of Del Pino's family companies are reflected in the following diagram:



Source: Prepared by the authors using Sistema de Análisis de Balances Ibéricos [Iberian Balance-sheet Analysis System] (SABI) 2009.

5.- Preliminary results

Family offices are definitively not a new concept. At least since the industrialization period, this type of firm has been an important instrument for managing the wealth and continuity of families in business. Nevertheless, the concept behind the term is not the same as before. The formal or legal structure of the firm could be the same throughout the 20th century but this research demonstrates that the reality within these institutions is very different.

What are the main similarities between the old family offices and the new ones? According to the research we can point out the following:

- The main aims of the company (given by the family in business): to preserve the wealth and manage the legacy of the family.

- An instrument for participating in different businesses. In other words, the family offices allow the diversification of the business, especially in unrelated areas (non related diversification). This diversification can be developed through different means.

- An instrument for maintaining and managing participation in the main business area (generally the traditional family firm) and in the diversified business areas. These formal participations, buying a stake in other companies, enabled and enable the families in business to use interlocking in order to: enrich their knowledge of company management in general, and in some sectors in specific; improve their social network, thus accumulating social capital; have a presence in the circles of information, a key factor in facilitating new investments in promising industries and having contact with new trends of management. All these issues make it easy for the family in business to consolidate itself in the elite of the national or international economic landscape, with or without a referential family-owned firm.

The accumulated knowledge and social capital are transmitted from one generation to the other of the family in business as the principal asset of the family.

- In many ways, the "interlocking practices" developed through the family office facilitated the family in business – and this is especially important in the education of the next generations - to learn the "director profession", namely to be present on the board of directors of important companies in the leading sectors, without being involved in the day-to-day management of a specific company or even a specific sector. Nevertheless, it is important to note that sometimes the interlocking did not originate in a formal or legal relationship. In many cases, the members of the family in business did not have shares - or at least not enough to legally sit on the board of directors - in the companies of which they were directors, but their accumulated knowledge, the prestige of the family within society, and their networking connexions facilitated their designation as director by the president of the company.

What are the main differences between the old family offices and the new ones? Although family offices are always instrument-designed to attend to the different needs of the family in business, we can point out several issues that differentiate the old family offices from the new ones:

- In accordance with the definition of the legacy and the issues to be transmitted to the future generations. In old family offices this "task" was informal, almost spontaneous, responding to the desires of the founder. In modern family offices, the legacy of course responds to the founder's needs and wishes, but its formalization and the activities and strategies for passing it on from generation to generation are mainly designed by experts or consultants. In this aspect, we can highlight that the transmission of the legacy and the relationship between the family sphere and the business sphere are strongly regulated in modern family firms, either through documents (protocol or family constitution) or structures (Family Council, Family Assembly).

- Regarding the training of next generations, families in business have always sought an excellent formal and informal education of their heirs. Famous universities and business schools have provided the formal education. Informal education has come through work experience in the family firm or the incorporation into the family office (and consequently the participation in the interlocking practices), thus facilitating the transmission of business knowledge and the culture of the family in business, including the living values of the family and access to social networks. The main difference in this aspect is that in modern family offices this path is well and formally planned, and written down in formal documents, such as the previously mentioned protocol.

To sum up, the research has shown that the main difference between old family offices and modern ones is that in new family offices the conceptualization of the needs and the awareness of specificity are clearer. Experts from a wide range of fields design a haute couture dress for each particular case. In new family offices, financial needs are perfectly integrated with the family issues. In other words, we can talk about functions or even tasks in old family offices, that have been transformed into organizational structures, formal documents, systems and blue-prints in new family offices. A spontaneous and intuitive form of management has evolved into a structured, professional and even fashion-influenced style of management.

What have been the main agents in the transformation of family office management? The research shows that these principal agents have been: Business Schools, consultants and of course, members of families in business. The growth of infrastructure related to family business education and the development of family business centres and professional associations, have provided a base for communities focused on serving the educational needs of family business stakeholders (Sharma et al., 2007). The role of consultant has also become significant for the dissemination of new management ideas throughout the world, for private as well as public organizations. By doing so, consultant, institutions and scholars encouraged a process of change in family firms that also affected other types of companies, i.e. family offices, organizations to protect their particular family's investments and assets for both current and subsequent generations (Liechtenstein et al., 2008). Clearly, the family office was not a new concept, but the changes operated in the family business field allowed its transformation into professional organizations by adapting general management ideas, practices and fashions to the needs of its client or owners.

The major limitations of the article – taking into consideration that it is an ongoing research - are three. Firstly, all the cases analysed in the research referred to relevant, extraordinary-wealth families in business, so the results cannot be extrapolated to the great majority of the enterprising families. Related to this limitation, we have to point out that not all the families in business have a family office, although many of them participate in multifamily offices as explained in section 1. Moreover, many medium-wealth families in business did not transform their family offices and the so-called old and modern family offices could coexist in the same period. The article simply seeks to explain an ongoing process that began in the middle decades of the 20th century and shaped the form of management of financial and emotional assets of families in business. But not all the enterprising families have chosen this path, or at least not yet. Secondly, the paper is culturally biased, because all the cases and the literature referred to United Stated and Europe. And thirdly, to enrich the theoretical part of the paper, we are going to analyse the results in the light of neo-institutionalism.

From the findings of the research presented in the above paragraphs, some open questions arise that could be incorporated into the future research agenda of the family business field. In line with the literature that analyses the incorporation of next generations to the family business, another area of research would be the study of the difference between the incorporation in traditional family firms and in family offices. Some scholars suggested the importance of values, culture, knowing the sector, history of the family in one specific sector… but all these factors are valid if the family in business does not have a family firm but a family office; otherwise we have to change the parameters.

From the empirical study of the family offices emerges another central question. The public image of the family in business is influenced by the family firm in a two-way relationship: the family influences the brand of the company and the image of the company influences the reputation of the family. But what happens with the family in business without a family firm? How does it manage its public image in society? An instinctive answer would be through philanthropy or through the companies in which they have a stake control, but so far we have no empirical studies to support these options.

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