

2018/2019

# RESOURCES AND CAPABILITIES OF A FAMILY FIRM

CASE STUDY



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AE1049 – FINAL PROJECT WORK

BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION

TUTOR: ALBA PUIG DENIA



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## INTRODUCTION

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It is so common to see how some parents want their children follow their steps, so it is not an strange thing that they want their children take their business too, maybe to see that and remind themselves or maybe just to not lose something they have been worked hard for ages and some external person take it. It is in this kind of situation where family firms born, when one generation leaves to the following one a business, even though their do not manage it or do not possess the whole organization.

Year after year, family organizations are becoming more important in the Spanish economy. Based on real data extracted from the “Instituto de la empresa familiar”, there are approximately 1’1 million family organizations in Spain, which represents the 89% of all organizations.

This kind of organization is the major job creator in Spain. Nowadays, these organizations create 67% of private employment, that is 6’58 million jobs which are created and the responsible of the 57’1% of the PIB’s private sector. In Spain, it is more common to find these organizations in the primary or secondary sectors of the economy.

However, family organizations are relevant outside Spain too: that kind of enterprise delivers the most invoicing and job creation around the world. In the European Union, there are 17 million family organizations generating 100 million jobs. Another referent market is the United States one where family organizations represent 80% of the total and generate 50% of private employment.

Family firms are special, the fact of being a family involved on them makes them different than the other ones, but are them better or worse than the other ones? That question will be answered during the project, based on some authors and some factors of firms which are resources and capabilities.

Resources and capabilities are those which an organization need and is able to control to do their main activity properly without any need for the organization to own them, just having the power of control them is enough. There is a lot of different kind of resources, but this project will focus on the intangible ones, as well as on capabilities, which are the ability to make a worth combination of the individual resources that firms possess to develop successfully their activity. There is so many capabilities, the management all of them, the human resources, the ability to innovate, marketing or quality capabilities are being the ones explained throughout the work.

But the main objective in this project is to analyse those resources and capabilities which could become the most important ones in family firms as well as its relationship with the distinctive features of family firms' success. Is part of the objective too, to see the how these resources and capabilities have its influence on family firms, and discuss if that is a good influence that helps the organization to achieve its goals or to develop the competitive advantage or it is a detrimental one that acts as a barrier in some aspects of the market or the production.

To understand it better, the second part of this work is focused on a real case of a family firm, explaining how they managed their resources and capabilities, specifically the human resources and management capabilities. The firm is Calzados Segarra, an organization from La Vall d'Uixó which have a really interesting history and past to analyse and compare with the currently situation to see how all of that changed due to, principally, their human resources, who did not how to manage the situation of the business when the environment started to change in the third generation of the factory.

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## THEORETICAL FRAMEWORK

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### FAMILY FIRMS

#### **Definition of family firm and differences with non-family firms**

Probably, the most difficult thing in this project is to define the concept of family firm. An exact definition does not exist for that, because it is constantly changing and it can include so many different organizations with important differing characteristics.

According to the "Instituto de la empresa familiar", a family firm has similar characteristics to non-family firms, but the principal difference is the strong connection that a group of members of the same family has between the ownership and the management.

There are some important points that make a difference between family and non-family firms. Such as the shareholding property, in a family firm the majority of the shares with rights belong to the person or people of the family that founded the firm, or are from the person who has the social capital of the organization, or belong to his wife, father, children or their direct heirs. Control is crucial too, the majority of the votes can be

direct or indirect. The management of a family firm has to have at least one family member or a representative of it participating on the board.

Contrary to a non-family firm, a company whose shares are listed on the stock exchange, is a family firm if the person who founded or acquired the company (this is its social capital) or his family own 25% of the rights to vote that the social capital gives.

Depending on the author who defines it, the definition of family firm is based on the grade of propriety or direction that the family has on it (Rosenblatt, et al., 1985; Daily y Dollinger, 1992; Sharma et al., 1997), others base that on the generational transference (Ward, 1987; Gallo y García Pont, 1989) and a little few include the size of the organization (Daily y Dollinger 1993).

Trying to solve this difficulty in order to facilitate studies and their comprehension, most authors agree with the fact that an organization is familiar if it has these three qualities: **propriety**, if the participation of the family is significantly geared towards the social capital; **power**, if the family has an important participation or is significantly involved in the management of the firm; and finally the **intention of continuity** that the family maintains. However, even if an organization has these qualities, it remains difficult to define the family firm concept because it is hard to establish the grade of possession needed by the family, the grade of relationship between the familiars or if the participation of the participation of the family has to implicate management tasks, for example (Sánchez-Crespo y Sánchez, 2001).

Focusing on the afore-mentioned intention of continuity, to consider the activity made by a family firm which has individual business owners, self-employed or physical person, it is necessary that exist salaried people because that means that the owner has intention of continuity with regard to the activity. This fact eliminates the majority of organizations whose owners initiate having immediate economic benefits or sell the business without any intentions of developing the activity.

In society forms scope, they consider family firms the ones which fulfil some of the conditions explained below.

- 51% of the capital is from one person.
- 51% of the capital is from a group of familiars who have a third grade of consanguinity between them.
- 35% of the capital is from a person or a group of familiars who have direct management with the society and no others have a percentage equal or superior to 35%. They choose that percentage because it represents more than

a third of the capital and the management of the business compensates the minimum required before.

It is difficult to explain the characteristics of the family firm, therefore it becomes even more difficult to explain why when a family is involved in the management of a business, it might be expected that behaviours and outcomes differ from non-family firms in non-trivial ways.

Compared to non-family firms, some inefficiencies could be created by problems of close kinship, ownership and management transfers, and conflicting intentions and behaviours. That could limit the ability of a family business to create or renew distinctive familiness.

There are some studies that concluded that family and non-family firms differ in terms of goals (Lee & Rogoff, 1996), ethics (Adams, Taschian, & Shore, 1996) size and financial structure (McConaughly & Phillips, 1999; Romano, Tanewski, & Smyrnios, 2000; Westhead & Cowling, 1998) international structures and strategies (Tsang, 2002; Zahra, 2003), and corporate governance (Randoy & Goel, 2003).

Nevertheless, there are some dimensions in which the two kinds of organizations do not differ, or not significantly, such as strategic orientation (Gudmunson, Hartman, & Tower, 1999), sources of debt financing (Coleman & Carsky, 1999), problems and assistance needs (Welsch, Gerald, & Hoy, 1995), management and governance characteristics (Westhead, Cowling, & Howorth, 2001), and risk (Gallo, Tapies, & Cappuyns, 2004).

### **Familiar succession**

As has been mentioned before, the intention of continuity of the company is a request to be considered a family firm, being demonstrated by having salaried people. Bearing this in mind, these salaried people could be the successors of the owner, defining more so this intention of continuity, which may become an intention to continue, not only with the company activity, but in the family involvement too. There is evidence which is so common in familiar organizations that the leader is replaced by a direct familiar such as sons or daughters.

According to Cabrera, De Saá and García (2001) and the RBV, familiar successions could be the key to maintain and to develop the specific resources and capabilities that familiar organizations possess which constitute the base of their strategic advantage.

Familiness makes reference to the high grade of implied knowledge that a familiar successor has because of the implication of the predecessor in the successor's development and formation during their experience in the organization, which will be described during the work as tacit knowledge too.

## RESOURCES AND CAPABILITIES

### **Resource based view of the firm (RBV)**

An organization's resources include the group of factors and assets which are under the control of the organization, whereas the capabilities are the organization's collective abilities to carry out an activity. However, resources and capabilities cannot be explained before addressing the model of Resource Based View of the firm (RBV).

Resource Based View of the firm (RBV) is a theory about the organizational heterogeneity. Heterogeneity in organizations means that resources which each one controls are difficult to transfer between companies, principally because their markets are so imperfect or these do not exist. That is the reason why heterogeneity is permanent and generates exclusive rents to the owner company.

Wernerfelt (1984), Araujo (2010) and Ribeiro et al.(2010) mentioned Penrose (1959) as the first author to see the organization like a whole group of resources. The limit of the development in an organization is not only in the market, but on the resources it owns and on the way to use them. The singularity of each organization resides in the distinction between the resources and how to manage them.

Later, in 1991 was Barney who started to formulate the VBR based on the organization's resources, not only on the external ones, but focusing in the analysis of the internal ones. The organization's resources became one of the most worries to achieve the competitive advantage and the sustainability in the market. So, organization's strategy must be formulated based on the identified as rare and valued resources, which must be irreplaceable and difficult to emulate (Barney, 1991).

Analysing why companies of the same sector or industry have such different results in their activities, the principal objective of the RBV is to develop an explicative model about the firm's performance based on internal factors of the business. According to RBV, resources and capabilities of each organization allow it to stand out from the others and be more competitive.



Referring to the competitiveness as “the capability to, competing with other organizations, achieve a superior efficiency than their competitors” (Martínez 2009), the way to manage resources and capabilities is the key to have competitive advantage obtaining different levels of profitability than others organizations of the same sector. There is an empirical evidence proving that the organizational factor is harder than industrial or sectorial factor to achieve the competitiveness extracted from the study of Martínez Santa María, Charterina Abando and Araujo de la Mata, 2010.

In an organization, the principal intangible resources' core is the intellectual capital. That is composed of all the abilities, values and attitudes of the people who pertain to the organization Araujo, et al., 2006. As a result it is convenient to catch and improve the human resources in companies in order to attain a sustainable competitive advantage.

### **Resources**

A firm could own or not its resources, but it has the power to manage them. It is possible to divide the resources, which could be in stock and are considerable individual, into two general groups, on the one hand, the tangible resources such as machines, furniture, fixed capital assets or financial resources like payment rights. On the other hand, intangible resources include human or non-human resources. Human resources are, for example, abilities, knowledge or compromise whereas non-human resources refer to technological or organizational resources.

In a business, intangible resources are more appreciated or valuable because these are more difficult to copy or to imitate competently. The majority of tangible resources can be acquired with a definite quantity of money or capital, therefore practically anyone who possesses that, can imitate the tangible resources. However, intangible resources are practically inimitable; they are even difficult to identify and value for the organization too. That is because these are based on knowledge and information, and they are slow and difficult to accumulate for the firm - most of the time, a firm takes years of experience to make these firmer and profitable.

By the same token, human resources are one of the most valued in a company because they are the completely inimitable and organizations invest a lot of money and time in them. As a consequence, these ones have to be flexible, and a company leader must lead and manage them properly to achieve a competitive advantage. So, the fact of having some difficult on that may affect negatively the firm performance.

Nowadays, companies are involved in a new socio-economic environment, where complexity, uncertainty, flexibility and adaptability have taken a large part of it. Consequently, the firms have developed from traditional organizations into new organizations.

The traditional organization, which used to be run in an industrial society, was more commonly stable and inflexible. The relationships in there were more hierarchical and the essence of the organization was orientated to the worker as an individual piece and the way to manage the whole organization was more based on the control.

Nevertheless, the new model of organization is more dynamic and flexible, where there are lateral and network relationships. That one is team orientated more than individual and have been developed to a participate orientation instead of the control. It is common to name it the knowledge society because of the importance that human resources had taken.

### **Capabilities**

Capabilities are the ability to well develop an activity with a specific combination and coordination of individual resources of the firm. Capabilities which are in constantly flow and are considerate in a collective way, are based on intangible resources such as technological and organizational knowledge, and if intangible resources are difficult to imitate or identify, a specific combination of these is practically impossible. It is not easy to measure and classify these, because as Hall said in 1993, they are functional and cultural. Capabilities demonstrate the importance of the classical tools of the internal analysis.

Capabilities are dynamic because these integrate, reconfigure, renew and create again resources and capabilities and reconstruct basic capabilities to maintain the competitive advantage in a changing environment.

### **Management capabilities and human resources capabilities**

Research focusing on the EBRC enhances the importance of **human resources** to the organization (p.e., Lado & Wilson, 1994; Wright et al., 1994; Barney & Wright, 1998; Amit & Belcourt, 1999; Bayo & Merino, 2002; Aragon et al., 2003; Landeta et al., 2007). They are one of the most difficult elements to imitate or replicate and, therefore, adequate human resources and organizational culture capacities that manage them efficiently are vital in transforming them into basic elements for the organization that

generate sustainable competitive advantages. They are based on staff qualification and satisfaction, employee engagement with the company or teamwork.

Management capabilities and human resources capabilities have an important function because the directors are who choose the firm's path managing all of the available resources. According to these factors, in order to achieve a better performance it is more important how executive capabilities manage the rest of the company's resources than the mere fact of possessing superior executive capabilities on their own. Martínez Santa María, Charterina Abando and Araujo de La Mata, 2010, state in their study "firms whose management capabilities are superior, achieve better and superior performance". Managing the human resources in an organization is also a part of executive capabilities. Recruitment, selection, training, performance evaluation, payment or career management are some of the responsibilities that these capabilities have to manage. There is the need to build, improve and accumulate human capital in companies as a way of maintaining a sustainable competitive advantage.

The directors of firms are those who have the ability to understand, describe and evaluate the potential of each company's resource to generate an economic performance which is crucial to have a sustainable competitive advantage. That is the reason why the executives create the firm's path, the combination of resources of the company and the markets where it will operate.

Leadership capacities are derived of tacit knowledge assets deposited with managers and therefore highly heterogeneous capacities (Hambrick et al., 1996). They are based on aspects such as a strategic vision, support for change and learning, fostering the spirit of dialogue, an entrepreneurial orientation, and mastery of aspects related to business management or leadership.

Executives' knowledge and abilities can be classified in three main groups: their training and formal development, innate or cognitive aspects or, finally, the experience of each one. This last one, can be analysed relating it to family firms, because of the fact that a person who has been involved in a company all his life, could have obtained more experience than others and could be more prepared to manage some kind of work. There is proof to say that companies with superior executive capabilities attain superior performance. Some of the authors of empirical studies which mention some evidences of the positive influence of executive capabilities on the business development are Hitt and Ireland (1985), Finkelstein and Hambrick (1990), Thomas et al. (1993), Markides and Williamson (1994), Robins and Wiersema (1995), Mehra (1996), Russo and Fouts (1996), Boeker (1997), Carmeli (2001), Lerner and Almor

(2002), Acquaah (2003), Kor (2003) and Carmeli and Tishler (2006) which are mentioned in the work of Martínez Santa María, R., Charterina Abando, J. and Araujo de la Mata, A. (2010).

### **Other capabilities also important**

#### *Innovative capabilities*

Analysing the innovative capabilities, it seems there is an agreement, not only in the academic environment but in the business environment too, for saying that the technological knowledge in a company, as well as its capability to generate innovations, is one of the major resources of the organization (Galende 2006). According to the Oslo Manual (OCDE, 2005), innovation is the introduction of a new, or significantly improved, product, process, commercialization method or organizational method for the firm's internal practices, the organization of the work place or the exterior relationships. The RBV emphasizes the importance of the innovations as a generator of a competitive advantage (Hall, 1993; Carmeli 2001; Gopalakrishnan & Bierly, 2001).

Tether (2003) points out that innovation capability is related to an attitude and an amount of practices and behaviours associated to that attitude. This capability is a broad and multidimensional concept which exists in different aspects of the company such as the directors' planning and commitment, behaviour and integration, projects, knowledge and abilities, information and communication and external environment. Moreover, in industrial companies' environment, there is a great amount of empirical evidence which proves the positive and firm relationship between innovation and business performance (Griliches and Mairesse, 1983, 1990; Crépon et al., 1998; Wakelin, 2001; Löf and Heshmati, 2001, 2002; Mairesse y Mohnen, 2003; Kafourous et al. 2008, etc.). That does not mean the rest of the sectors do not have this relationship, but it is firmer and more obvious in the industrial one.

#### *Marketing capabilities*

To be a potential generator of a competitive advantage, a resource has to be able to create value; being the concept of value associated with the customers' value based on the conception of the marketing. Some authors like Zeithaml (1998) define the value for the customer as the global evaluation of products' utility based on the previous perception that the customer had of what they are receiving and what the company is bringing. The RBV indicates that marketing is a means of generating value for customers. The brand reputation, the relationships with the customers or the

orientation to the market are some marketing resources that have the characteristics to create the competitive advantage (Hooley et al. 2005).

There are a lot of works and studies which state that there exists a positive relationship between owning marketing resources and the organizational performance, and these kind of works and studies arose a few years ago due to the interest that a larger number of authors attach to them.

#### *Quality capabilities.*

Based on the Resource Based View a high quantity of works agree with the fact that the quality of a product or service is one of the critical factors of competitive success, like the ones written by Rubio and Aragón, 2002, 2006, 2008; Lerner y Almor, 2002; Calvo and López, 2003; Rogoff, Lee and Suh, 2004, etc.

According to the Resource Based View, the quality of the product or service is a strategic intangible asset, which can be defined as the matching of the characteristics and attributes of a product or service with the customers' needs and expectations.

It can be explained better with an example, that if customers do not expect so much from a product, and then are surprised in a good way, the quality that these customers associate with the product or service is higher than if they would have expected a good quality and then become disappointed.

Hall (1992) considers the quality capability as a distinctive capability instead of Lado and Wilson (1994) who consider it as based on the output capability.

A strategy based on quality strategy can lead to a better performance in two different ways. On the one hand, analysing the interior point of view, the matching to the previous specifications and the reduction of mistakes have as a consequence lower production costs. On the other hand, based on an external point of view, possessing a superior quality means having better product characteristics, longer durability and reliability, and consequently, a rise in the market quota.

## RESOURCES AND CAPABILITIES IN FAMILY FIRMS

After analysing when an organization can be considered a family firm, and explaining what resources and capabilities are and their impact in a company, their effects in a family firm are going to be specified in this section.

The RBV of the firm suggests that valuable, rare, imperfectly imitable, and no substitutable resources can lead to a sustainable competitive advantage and superior performance (Barney, 1991).

Sirmon and Hitt (2003) said that there are five sources of family firm capital; human, survivability, patient, social and governance structures. They appoint to that family firms acquire, evaluate, bundle, shed and leverage their resources in a different way than non-family firms do. Believing that these differences could be an **opportunity** for family firms to develop competitive advantages, this is probably the application of RBV to family business that encompass more factors.

Other authors, such as Camey (2005) support this, and he argue that parsimony, particularism and personalism are three family firms' characteristics which can help to the development of social capital, and might lead to cost advantages and encourage entrepreneurial investments. Also Miller and Lebreton-Miller (2005) demonstrate in a study that large and long-living family firms have longer good relationships with stakeholders because of their continuity and power to make changes without outside interferences. Being all of these characteristics human resources, it seems to agree with David G. Sirmon and Michael A. Hitt, 2003, who state the most important resource in family firms are the human ones. That is because intangible resources are the most connected to achieve the competitive advantage because these are difficult to imitate and socially complex and as a consequence **human resources** are an opportunity for these ones (Barney, 1991; Hitt, Bierman, Shimizu & Kochar, 2001).

Nevertheless, some of differences noted by Simon and Hitt (2003) are a **disadvantage** for family firms, some of them, as their difficult to shed human resources, could damage their economic performance. According also to Sharma and Manikutty (2005), the family structure and community culture affects the difficulty of family firms to shed the human resources.

However, Kellermans (2005) argue that what for Sharma and Manikutty (2005) are causes for the family firms' inability, for him these could be positive consequences too.

For some authors, family business **connection and relationships** could be a great advantage for the acquisition of resources (Aldrich & Cliff, 2003, Hayness, Walker,

Rowe & Hong, 1999). However, other ones as Barney, Clark and Alvarez (2002) discuss that the ability of the family members to maintain other strong social ties is reduced by maintaining family ties, based on **social network theory**.

Social network theory describes social relationships as nodes and ties. Nodes are the individual actors within the networks while the ties are the relationship between them. So what Barney, Clark and Alvarez (2002) try to say is that if the successors are making an effort to maintain old relationships, as family ones, they may be losing the opportunity to make new ones, or they may not making that effort to renew these relationships. This does not means that it is necessary to renew the relationships, but it could be interesting for the organization expand their ones to have more opportunities in the future.

The different units of a large diversified family firm can use advantageously the social capital by the way that it can contribute to economies of scope. For family firms, that could become an advantage because the fixed costs of creating and maintaining social capital is high, but family firms accumulate social capital because they enjoy long-term relationships with internal and external stakeholders. This affirmation was observed by Carney in 2005, but it was confirmed by a previous study's results made in 2004 by Chrisman, Chua & Kellermans about the sale growth.

Talking about the **succession** is talking about one of the unique characteristics of a family firms. It is important to mention succession in family firms because it is so related to transferring and managing the capabilities, above all, management and human resources capabilities. Nevertheless, there is an important question which is required to be answered to make a unique advantage for the firm from the resources and capabilities.

When one generation is succeeded, that one hands to the next one some resources and capabilities to allow to realize its vision, and knowing which resources and capabilities they are going to hand is that important question.

However, depending on each author, there is not only one answer. While Tan and Fock (2001) argue that the most important for success in family firm succession is the entrepreneurial attitude and abilities in the following generation, technical skills are not so important as integrity and commitment for Chrisman, Chua and Sharma (1998) and Sharma and Rao (2000).

But, after analysing all of them, there is one that seems to be the key, the tacit knowledge. Tacit knowledge is situation-specific knowledge which someone could

acquire through experiences and actions. After knowing what it means, it is not difficult to think that experiences are practically impossible to transfer from one generation to another one unless successors have expended most part of their time related or involved with the firm. But for Cabrera-Suárez et. al, it is so important for preserving and extending competitive advantage, being the continued success of a family firm a consequence of a unique experience of the predecessor.

Nevertheless, there are some authors who state that there are four possible ways to transfer the tacit knowledge and depending on each one, the post succession performance could be influenced. The “planned” is the only one when leaders know how important tacit knowledge is and, as the name says, plan to transfer it. On the contrary, “unplanned sudden succession” and “rushed succession” appear when some totally unexpected changes or events take place in the structure of the organization. And finally, the last one is “natural immersion” where the knowledge is gradually assimilated by the successors.

To conclude with the resources and capabilities in family firms, being analysed and commented such a quantity of authors, it could be stated they agree that the most noted resources and capabilities in family firms being compared with non-family firms, are **human resources and management capabilities**. Depending on the author these influence the organization in one way or another, for good or for bad, and depending on the aspect they focus on to discuss, but all of them emphasises on them, being highlighted the tacit knowledge.

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### *CASE STUDY: FÁBRICA SEGARRA*

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## **METHODOLOGY**

The case study consists of a research method or technique, usually used in the health and social sciences, which is characterized by a process of search and investigation, as well as the systematic analysis of one or more cases.

To be more precise, by case it is understood all those circumstances, situations or unique phenomena that require more information or deserve some kind of interest in the research world.

Unlike other types of empirical research, this methodology is regarded as a qualitative research technique, since the development of this one focuses on the exhaustive study of a phenomenon but not in the statistical analysis of existing data.



As a general rule, the case study is carried out with the intention of elaborating a series of hypotheses or theories about a specific topic or topic for this purpose, as a result of these theories carry out more costly and elaborate studies with a much larger sample.

The objectives of a case study can be classified into:

- Exploratory objectives: the results of which are used to ask a question to initiate an investigation.
- Descriptive objectives: help to better describe and understand a particular case.
- Explanatory objectives: guidance to facilitate the interpretation of the case.

For this project this methodology has been chosen because it was considered the best way to understand the theoretical framework explained before, as well as it can help to learn about resources and capabilities but about family firms too.

The information gathered in this work has been extracted from both primary and secondary sources. For all the theoretical frame secondary sources were essential due to the fact of all the theories and discussions needed from some classical authors who define the RBV like Barney, 1991, 1997; Amit & Schoemaker, 1993 or Peteraf, 1993 whereas for the case study both primary and secondary sources has been used. It was a primary source, a personal interview with some workers of the factory during its best years and with the current financial manager, Miguel Beltrán and the production supervisor Jaume Salafranca, who provide this project of some information about the current situation in the factory and emphasizes in some differences with the past one. Nevertheless, the most part of the information needed to describe the factory and analyse its past human resources as well as its management capabilities focusing on the paternalism, motivation, recruitment and selection, training or evaluation and payment has been founded in some documents and books of authors from the town of La Vall d'Uixó, who really studied well the environment of that famous factory but who did not live life in the factory on themselves.

### **DESCRIPTION OF THE CASE-STUDY: FÁBRICA SEGARRA**

The chosen firm for the study is Calzados Segarra, a Spanish family firm whose commercial activity began in 1882. As it will be explained later, Calzados Segarra has a really interesting and important history for La Vall d'Uixó, the town where it is located. In spite of their principal activity was the production and commercialization of shoes, they reach to make and commercialize other kind of leather products as gloves, belts, etc. Nevertheless, what it will be focused and studied in this present project will be the resources and the capabilities of the firm along their history.

The main reason why this firm has been chosen for that project is the importance that it had for the town. Thanks to this firm the population of the town of La Vall d'Uixó increased, transforming this one in a little city over time. Power and success of that organization was so huge, and during their most successfully period, they reached to had salaried the most part of the citizens, what means that a whole town was depending on that factory. Moreover, as this project will study resources and capabilities, focusing on the human resources, Calzados Segarra have a lot to show about human resources. They had a particular way of treatment of the workers, introducing the paternalism.

In this project, the resources and capabilities in family firms have been discussed, but it is in this part where all of that theory will be studied through a real case to be understand better. Also, it will be studied the way that this firm had to deal with their human resources and how they used that to reach the fame and the success in a really unstable historical context.

## **CONTEXT**

To understand better the strong culture of the espadrille industry in La Vall d'Uixó, it is necessary to talk about the last years of the 18th century, when there were in this town 90% of the total number of “espadenyers”, the valencian name to refer the espadrille workers, from the province of Castelló, which represented the 20% of the total from the Valencian Community. Later, at the beginning of 19th century, that kind of production start to be mechanized and changed the raw material for another, the jute, which it was cheaper than the hemp, which was used before.

This evolution made a lot of more formed workforce than the one in the agrarian sector, making a lot of changes in the life of the workers in that town, who had got used to the work-factory life.

The espadrille industry reach its top in the 19th century, but maintaining the high levels of production until, approximately, the year 1926. That practically stopped after the Spanish civil war caused by the running out of the raw material. The industry, takes importance again in La Vall in the year 1942, employing 2600 workers, but not for longer because it started to be weak after that year, when it started to decline progressively again, having 1250 workers in 1950 and only 300 workers in the year 1964. Based on the industrial census of 1927, at the end of the 20th years, there were located in La Vall d'Uixó, respect to the province of Castelló:

- 17.5% of espadrille workshops
- 91% of espadrille factories
- 100% of footwear factories, the only one was in this town.

One of the espadrille workshops, the Segarra family's one, was located at Cova Santa street, in the urban heart of the town. In 1919, they introduced new leather sole footwear production technologies, creating the heart of the modern industry.

Naturally, the espadrille production was being affected by the raise of shoes industry, being the espadrille and old fashioned product. Segarra's enterprise stand out in shoes industry, becoming the second shoes producer most important in Europe, having huge installations where they produced everything necessary to finish the shoes production, as tanning, cardboard boxes, lasts, pattern making, buckles, printing, development laboratories including derivative products like fertilizers. In 1959, it produced 3.554.082 pairs of shoes, which represented the 15% of the national production.

## HISTORY

### Beginning

The beginning of Segarra factory was in 1882 when D. Silvestre Segarra Aragó creates a small and modest espadrille factory in the urban core of his hometown, la Vall de Uxó. When he began, the whole staff were only six espadrille workers and the capital to assemble it, came from the dowry of his wife, Mrs Josefina Bonig. Their starts and subsequent development are clearly related to that espadrille tradition of the town of La Vall and the great market that were the armies of the country.

In 1912, Silvestre made official that his activity was going to have a future, declaring intentions of continuity of their sons, founding the company Silvestre Segarra e Hijos and beginning the commerce when its founder saw the great consumption potential that the army had. To enter that market, he access a first auction without getting the award but was later when he went to Vitoria where the first regiment held an auction with an order of 2000 pairs. In conversations with the person in charge, they committed to deposit another 2000 pairs free of charge; so that if broke before three months, which was the average duration admitted, could take them from deposit at no cost, being innovative at the guarantee service by these times.

This operation had success and served as collateral for other future contests. Indeed another auction was made in a regiment of Cadiz where it was also obtained and so

on. In these beginnings production was practically all for the army. In such a way that it provoked a “great pull” in the small factory of espadrille.

A few years later, in 1929, a new factory was installed on Cueva Santa Street, where the production of leather shoes begins. The pull of the sales, was such that it was passed to make 100 pairs/day in the first year, at 1000 pairs/day only three years later.

In 1931, the II República started and, as a consequence, a new crisis period as well as changes in the local government and social conflicts. By these times, Silvestre Segarra decided to go to Africa's north, following the opened market of the army, to sell some espadrilles, where he made good relationships with some soldiers. There, he finally got some production orders and they started with the production to serve different soldieries. Nevertheless, the most important fact of Silvestre's travel might was his beginning of the relationship with Francisco Franco, who, by the time, was the legion commandant, relationship which they made closer as the time by.

The following year 1932, the footwear factory was been moved to the periphery of the town, building new and bigger infrastructures. They also buy the Good Year patent to the American firm United Shoe Machinery, which was a kind of sewn for the bottom of leather shoes, being that the great factor to make the shoes. As a consequence of this change, the organization and the mechanization were better to achieve a best product with superior quality and the factory in Cova Santa Street became only for one phase of the production, the leathery.

Thanks to this improving, the factory took three crucial factors for the production:

- More autonomy and self-sufficiency
- More productive capability
- More competitiveness

In spite of the conflicts and crisis because of the Republic, the factory suffered continuous rise in the production, reaching the 5000 pairs per day, counting shoes as well as espadrilles. At the same time, they create and consolidate a commercial web with local business to sell their products.

In 1936 the “Frente Popular”, a group of left politics association, was self-proclaimed at the council and it takes the enterprise control, which was a national referent then. They never fired at all the directors, but it was codirected by the workers. Later, in 1937, the State takes the organization and it dedicates the whole production to the republican army. By these times, Segarra's family didn't take any decision. This was a period

when they produced 4000 pairs per day, which was known as the “control” by the workers.

Continuously, in 1938, La Vall was air attacked, and part of the population moved the town, leaving damaged town and organization too, which was moved to Alcudia de Crespins until 1939, when Franco’s soldiers go into La Vall and the citizens moved going back. The town was so damaged after war effects, and Segarra’s family really helped to rebuild it and to reactivate the economy, and as a consequence, the enterprise. By these times, the firm had a production about 1,000 pairs per day and 552 workers and existed 2 factories, the leathery one and the shoes one. Was then when they made some social services for their workers as the “Economato”, which was a supermarket, located in the factory, the sanitary clinic, the sports field and the “Escuela de Aprendices”, whose English name is apprentice’s school.

Thanks to the family contacts in the government, the firm obtained the importation licence for some products and fundamental elements in spite of autarchy. There was a shortage of leather caused by the allied power, so the consume was controlled, nevertheless, Segarra got more leather because of two main reasons, as their principal customer was the army and they were who could produce cheaper than others.

### Successful period

By 1940, the factory was completely rebuild and extended becoming a huge factory group of buildings able to supply the whole army and great part of the Spanish population. They were 1,537 workers, 450 of which were women and they had a production of 36,000 pairs of military boots. Segarra opened shops around Spain in the most important cities, Madrid, Barcelona, Valencia, Sevilla, Valladolid, Santander, Gijón, Coruña and Castellón. In 1941, the founder of that imperium, Silvestre Segarra Aragó, passed away, which meant changes in the organization chart. They added a new leathery factory and new machines, fact which allowed the mechanization and modernization of the production, and the whole enterprise was recognised as the Exemplary Enterprise by the government.

For the following year the organization had 2,100 workers and was able to product 2,200 pairs per day. Being the council completely in debt, was Segarra who helped it economically without expecting anything back, completely free of charge. Was these year too, when they started a modernization politic for their technology, acquiring three new cutting machines for leather, a band saw and ten tanning drums. The expansion was so huge, in these period they owned a fertilizer plant, three tanning buildings, the shoe factory, a glue factory and a gloves factory. But that seemed not being enough for

Segarra imperium, so they was continuing improving by the year 1943 and they started a new mechanic factory and improving the others ones, like the gloves factory, which started to reuse the wasting leather from the principal shoe production. They also expanded the services for the workers, who were so well considered in the organization, as their houses, the apprentice's school, the installation of an obligatory sanitary insurance, the extension of the sports services...

For the year 1943, the markets started to open so slowly, so in spite of not meaning a huge problem by the way, they should improve their technology to survive in the international Jurid environment in a nearer future.

Would be for the year 1945 when they improve their technology, but they was continuing focusing on their workers and adding services for them as the hairdresser salon or another sports stadium. As well as the official inauguration of the Colonia Segarra, which was the name for the new neighbourhood created in La Vall by the workers houses made by Segarra, the supermarket or the workers clinic. They also created a scholar preserve, a Scholar Protection Council, and a scholar mutual insurance company.

Later, between 1947 and 1950, they improved their capability to reuse the waste of the production to made carton boxes and packaging boxes. Was in that period too when the general of the State, Francisco Franco, made an official visiting to the factory, reaffirming their relationship with the government. Moreover, Ernesto Segarra, one of the directors of the company, was the new person in charge of the regional Leather syndicate, and as a consequence, the cost of the leather supply was reduced for the organization because Ernesto made a lot of contacts, and Segarra was able to contact directly with the suppliers without the need of intermediaries.

The latest period of completely successful, was between 1950 and 1960, when finally the market was consolidate and opened. The firm changed its social form, becoming a public limited company and they separated the proprietary's goods creating a new company named Arrages, which was the name of Segarra but switching the letters. They made a radical change on their characteristics and their performances, such as the beginning of their exportations, which caused a great economically increase for the company.

As they principal customer was the army, they did not checked their production process, because their principal market was so standardized. They had a lot of workers and a really cheap workforce who did not reclaim so much until they tried to start the

scientific work organization, which failed because of the workforce resistance but by the Silvestre Segarra Bonig's death too.

### The crisis

After these years, the industrialization was so big and Segarra was a really huge organization which had paternalistic relationship with its workers. Its obsoleted equipment did not allow Segarra adapting to modern demand of the market.

Between 1965 and 1970, they reached their maximum in the production, and with it, the beginning of the crisis. For the 70s years, the organizations started being so much flexible than before, and due to the changing parameters, specifically the footwear market ones, it was a disadvantage. Moreover, the price of energetic power raised, as well as the raw material price or the salaries, and that caused an increase of the cost of production.

In that new international market, customers preferred more comfortable shoes and they did not care so much about the price, what was the opposite of Segarra's philosophy, who produced shoes based on its strength and its low price.

There are **two main factors** which influenced the crisis of Segarra, the **old technology** and the fact of having **more workforce than needed**. Because of these factors among others, the production of the factory quickly decreased and they started losing money.

In terms of productivity, they were in a clearly disadvantage, while the competitors had a production of 13 or 14 pairs of shoes per day and per worker, Segarra had a production of 7 or 8 pairs per day and per worker.

The catalogue of products was obsoleted too, due to the fact the competitors had more models of shoes, including women ones, which were not so valued by Segarra. Also, the competitors had more flexibility to adapt to the market, as well as better or newer infrastructures.

All of that ended in a suspension of payments, which was official the 10<sup>th</sup> of September of 1976. Later, the factory was seized by the State due to a law which allowed take any enterprise supplier of war elements which had to stop its activity. In this case, the war elements were the shoes for the army.

In 1978, the State acquired the organization at all, including both firms that were Silvestre Segarra e Hijos S.A. and Arrages S.A. transforming it in IMEPIEL S.A.

(Industrias Mediterráneas de la Piel S.A.) the following year, becoming a public enterprise.

Caused by the difficulty of having the complete knowledge about the real situation that the firm had, the State made a wrong management on it. They took wrong decisions related with the catalogue of the products, they should have adapted to the market conditions and decrease the production costs firing people and they used modern technologies not only of production, but in administration and commercial area too.

Later, in 1990, a private capital social acquired the firm, but it was so big and difficult to manage so this historical firm ended two years later, in 1992.

### The present

In 1996, the firm “Silvestre Segarra e Hijos S.A.” was acquired by the owners of the firm “Calzados Canós García S.L.”, three brothers who worked in the Segarra’s factory too. Following the familiar tradition, the current owners of the firm are the son and the two daughters, and their respective wife and husbands, of one of them. So, nowadays the legal name of the factory is Calzados Canós García S.L., nevertheless, they produce three different brands, being the most important one Segarra.

Currently, the concept of this factory had changed so much, there are only 26 workers in the factory, which is 15000 square metres installation where are located the warehouse, production plant and vulcanisation plant. There are 6 more salaried people at the physical shop, which contain inside a museum of what Segarra was and meant, where the history of this factory is explained and it is visited by a lot of people and guided trips. It also has an internet web page where people find a wide product catalogue and can contact the company. They produce an average of 1200 pairs of shoes per month and have an average annual turnover of 1’5 million euros.

## **HUMAN RESOURCES AND MANAGEMENT CAPABILITIES.**

Organizations are continuously looking the way to be differenced than the competitors, they look for the competitive advantage. As a consequence, the inimitable factor of the human resources becomes crucial for some kind of organizations, for factories for example, where the workforce is so important.

As has been discussed before, **human resources** have to be flexible, and there is sometimes that it become a difficulty in family firms, like it was in Segarra, where the



same resource that allowed it became one of the most important firms in Spain ruined it years later, a curious fact that will be extended in this part.

It has been explained also the large historical tradition in La Vall d'Uixó as supplier of espadrilles. The town had been a lot of experience in that factory sector for years, so it had not been difficult for Silvestre Segarra found **experienced workforce** to begin his business. He started with 6 people working, who were experienced from previous jobs. When the business started to grow, Silvestre had to hire more people, and it had not been difficult again, he did not to look for it outside the town, because in the same one there were a lot of experienced people, which means that the hiring costs were not so high. Nevertheless, as well as the times gone and the business grew up significantly and the production process was more mechanized and modernized, there were a lot of people who went to La Vall, who might were unexperienced but this was not so needed for their specifically jobs.

To analyse better this resource in Segarra's factory, this part will be split by different points of analysis that human resources have.

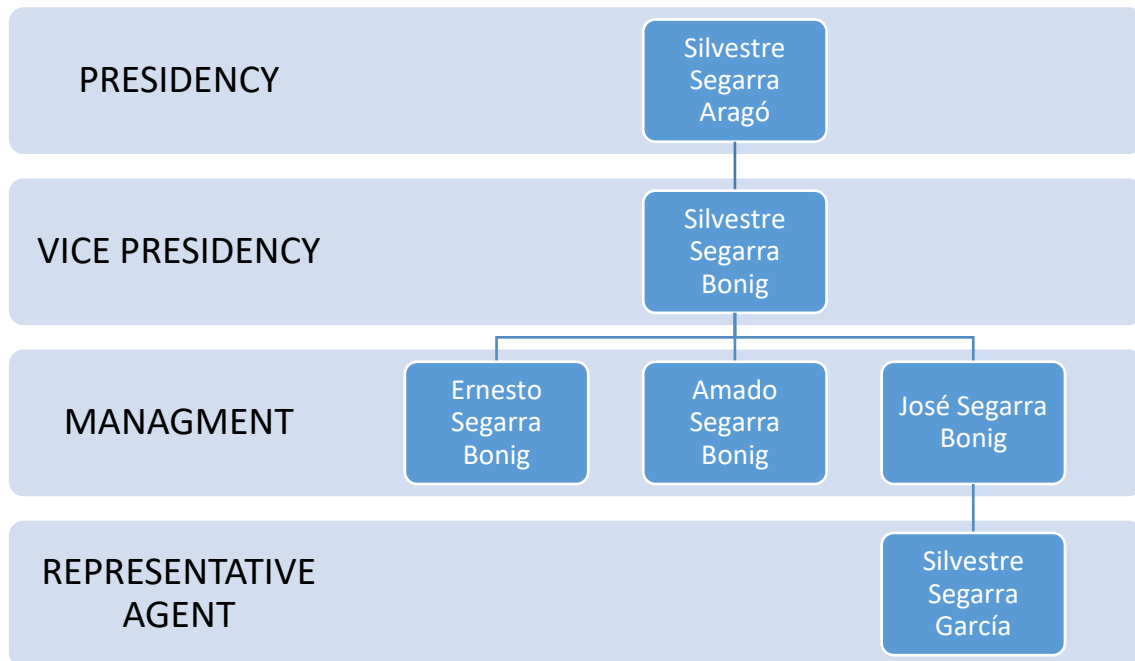
### **Management**

It is impossible thinking about human resources in Segarra and do not thinking in their **management**. The management is the part of the human resources in charge of leading all the people who work in an organization, as well as hire new workers or adapt the firm competences to the existent one.

Human resources management have changed over time, from classical way to manage it to a more strategical way to do it. The main objective of the classical one is to regulate and manage the relationships that appear between the workers and their organization as the needs of the people, to teach the workers properly, fix the salaries, etc. Obviously, Segarra had a classical way to manage human resources due to the period when they operate. This implies to fix objectives related with people, carry these on, and control them.

The management was so crucial in all Segarra's history, how the succession happened and how it influenced on the firm's performance. The first director Calzados Segarra had was Silvestre Segarra Aragó, its founder. He was the one who started with the firm, being a young business entrepreneur who dedicates his life to make and sell espadrilles to the Valencian community and surrounds, and with the benefit he used to bought flour and other alimentary products, which he sell later again. He introduced his

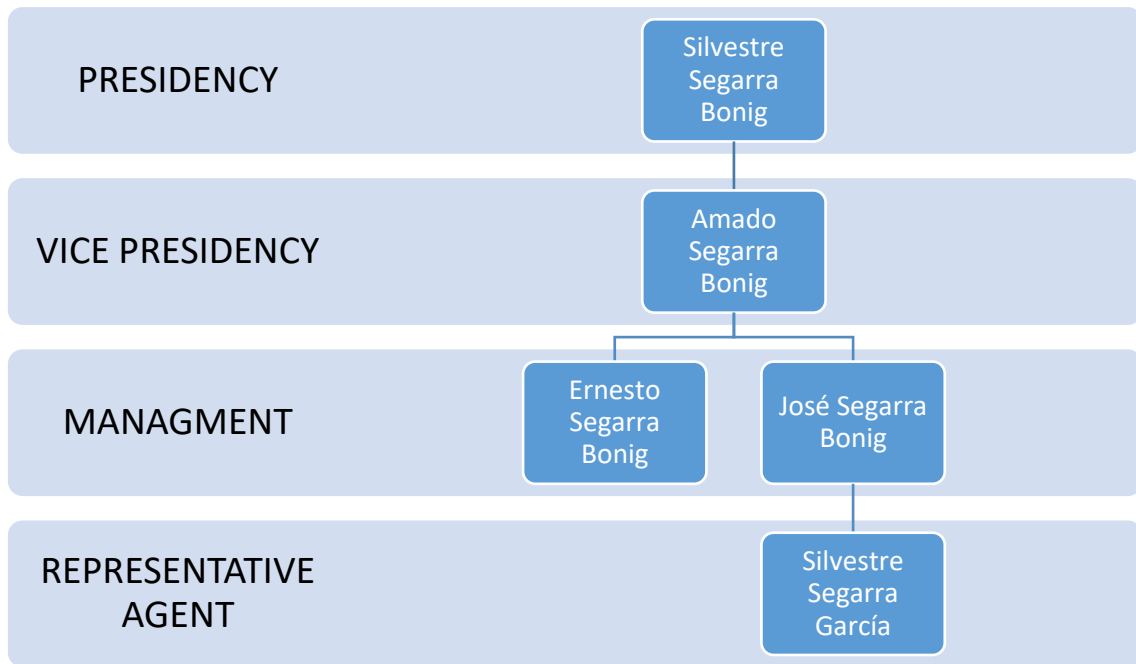
family in the organization as workforce firstly and as managers later. His 5 sons were involved in the firm. For the year 1939, the organization organigram was completely familiar.



Graphic 1: Self-elaborated based on information extracted from “L’arxiu i els treballadors de l’empresa Segarra”.

The second period of the firm started when the founder passed away, in 1941, and the biggest son, Silvestre Segarra Bonig, take the maximum responsibility of the firm. That was not a suddenly fact, Silvestre Segarra Bonig was been taking the firm progressively, while his father was leaving it slowly. Silvestre Segarra Bonig is considered the real pusher of the firm because of his performance on it.

As a consequence, the firm’s organigram suffered changes, being Silvestre Segarra Bonig the new president and Amado Segarra the vice director.



Graphic 2: Self-elaborated based on information extracted from “L’arxiu i els treballadors de l’empresa Segarra”.

According to Martell y Caroll, 1995; Marr y Echevarría, 1997, there are three ways to taking part of the organization for the human resources director. The director could be administrative, and do only the financial and administrative work, it can be an expert, what means that he advices but he is not part of the directive team, or it can be the strategic associated, and having an important role determining the strategy. The management of Silvestre Segarra Bonig had some characteristics of the administrative, because he was who made all that stuff, but it was a bit strategy associated too, because he was who made the most important decisions related with the firm strategy, and he leded them too.



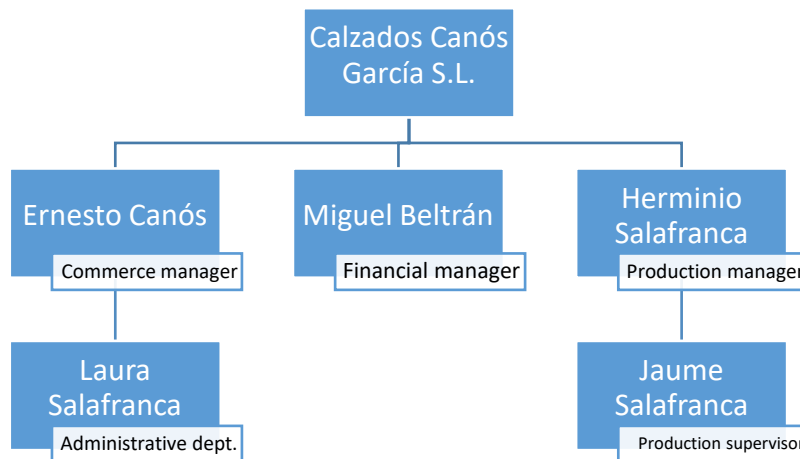
Graphic 3: Self.elaborated, based on Ulrich 1997

Ulrich stated in 1997, there are two kinds of perspective, the strategic and the operative one, and depending the orientation that it takes, more system orientated or more people orientated, it will be one way of management or another. Following this case study, Segarra Bonig, it is difficult to fit him in one of these, because Ulrich based this study focusing on the human resources director, and Segarra was not only the human resources director, but the director of the whole organization. That means that he had some characteristics of each one, such as the involvement he had with the strategy decisions (3), or his leadership on changes processes (4) at the same time that he listened his workers opinion and needs (2) and manage the human resources system (1).

The management of Segarra Bonig could be considered innovative due to the great amount of improvement he adapt to his firm, being this ones so modern for that times. The growing model he followed was so similar to Thomas Bata one in Moravia, they produce a lot without intermediaries, they had a vertical development and they concentrated all the phases of the production process, from the semi elaborated products to the leverage of the waste.

After Silvestre Segarra Bonig death, all the rest of his family wanted to manage the organization, becoming that a problem because there were too much managers for the people working there, who had decreased significantly for these years. In family firms' definition part it has been stated that problems of close kinship, ownership and management transfers, and conflicting intentions and behaviours could limit the ability of a family business to create or renew distinctive familiness, and it was just what happen in this firm.

As it has been mentioned before, three brothers bought Segarra's factory, but just one of them, Ernesto Canós, and their son and daughters wanted to continue the business. So, nowadays the owners are Ernesto Canós, Rosario Canós and Francisca Canós as well as their respective partners, being the organigram the one below, which is still familiar.



Graphic 4: Self-elaborated based on information extracted with an interview to Miguel Beltrán.

Based on an interview with Miguel Beltrán, under the production manager and supervisor are all the rest of the workers in the factory, which means that there are not any intermediate person in charge, but just maybe some who is more experienced and sometimes help the other ones.

This kind of management is one between the classical and the strategical one, because it is not really any of them. They have a control of production based on production following notes and the production manager is present and working with them the most part of time.

The strategy this managers follow is both quality and price ones. Differently to the past factory, this one have the brand of Segarra as a synonym of quality, resistance and innovation, this is the brand of the firm that has more value for the business, states Beltrán. Whereas the trekking shoe of Segarra is focused on public competition for the local or national police or the “Guardia Civil”, the other two brands, Canós and Hurón, follow a competitive strategy related with price, this ones are produced thinking on their sale to big stores or other factories, due to are a kind of shoe to work in there.

Compared with the old Segarra, where they created their own self-sufficiency system, nowadays they subcontract some services as marketing, fiscally services, the webpage system or a business consultancy.

To sum up the management of this firm, it is clear that the second generation management was successful because the environment was stable and the production was regular due to the fact of selling the major part of the production to the army. The manager adapted the productive process to their needs properly, and he had some innovative ideas to develop which became a success. Nevertheless, when the environment started to change and the market had been opened, the third generation

of the firm had not adapted their resources to the new situation becoming in a mistake which lead the whole organization to the end of a great cycle. It is considered a **management mistake** because as stated before, there were so many people who wanted to manage this organization and the ideas and opinions were so different to agree.

### *Paternalism*

As Fernando Peña states, a professor at Jaume I University, in “L’arxiu i els treballadors de l’empresa Segarra”, 2004, paternalism is an industrial policy which born at the middle of 19th century in the burgess. It consists on facilitating some social services to the workers, being the principal objectives attract the workforce, fixing it, create a moral and discipline on it. Paternalism is based on the idea of having the workforce controlled and always ready to work. This kind of policies are based on the authoritarian owners and they have a familiar concept of that, but finally the organization give to the workers some services for working.

The name of paternalism is a consequence of the kind of relationship between the direction and the workers. The directors have a father role, the head of the family, protective with the children, but at the same time being a person with a lot of knowledge, fair, kind, but authoritarian and who knows what is good or bad for their people. By the same token, the workers had the children role, being respectful with their directors, submissive, eternally thankfully and having the obligation of do what they said and work intensively.

The paternalism caused a lot of different opinions on the people of the town and the workers. On one hand, one part of the population, as Fernando Peña, thought that it was a controlling system to have and take more benefit from the workforce, having their loyalty and taking care of them. This thought relate the paternalism with the authoritarian system that there was at the moment, Francisco Franco’s dictator, and with the social Catholicism. By the other hand, the most part of people who worked at the factory, though that Segarra family did all this kind of things, like offering services to the workers, because they wanted the best for them workers, and they wanted to take care of them. Indalecio Segarra, Silvestre Segarra García’s son and Silvestre Segarra Bonig’s grandson, states in an interview, “I do not know what paternalism is, I know the facts, and that firm’s facts were done for the workers. There was not comparison with another one who made the same. They offer job by one hand, and by the other one they made workers’ life better. If that is what paternalism means, welcome paternalism. I think it is positive”. This opinion represents the most part of the population of la Vall

who worked at the firm, they argue that there were a good environment, and the managers were always ready to help the workers with any issue.

The fact is that paternalism helped to motivate workers during the best period of the firm, but it was a big cost to maintain during the following years, becoming a cause of the factory's crisis too. Nowadays, it does not exist in the business, according to Salafranca, the production supervisor, the most similar to that could be the familiar relationships they maintain with each other and with the workers too, and the fact of always helping them in the way they can.

### **Motivation**

Another important point to analyse human resources in a firm is the **motivation** that managers transfers to the workers. Motivation means the capability that directors have to made the work more attractive for the workers, create on them the feeling of wanting work there and being comfortable with their jobs.

Following with the paternalism idea, the motivation in Segarra could be focused on the social services that they offered to them workers. For the year 1946, it has a company shop, where they offered to their workers all kind of products for low price, most of time, at production price. In this shop, they could obtain all kind of products due to they had different divisions to go, as agriculture division, livestock division, fish division or textile division. There are some evidences that Segarra did not want to take benefit of that, for example, in 1942 their incomes for all of the rice sold were under the production cost, because they sold it at the same price, more or less, they had gotten.

Another service offered by Segarra was the sanitary clinic. After the civil war, Spain had poor and weak sanitary services, so as soon the firm was reactivated during the post-war, they started the clinic project. It was like a beginning of the nowadays know as social security, but not only that, because in the clinic they did not attend only to the workers, but his familiars too. In spite of not having the specialist doctors, they tried to have the better service, being able to offer maternity service, paediatrics, surgeon, ophthalmology or otolaryngology on their own installations, and visits of the other ones once or twice a week.

The sisters were the responsible of taking care of the people who had to stay at the clinic because of some illness, and they attended to everyone who went. That was not only a marketing strategy, Silvestre Segarra was really worried about his people. Once, a young worker of the factory, had an accident working and burned himself: Silvestre

asked for his health condition twice or three times, because he never improved, and when he knew what the children needed was penicillin, he ordered to take it from wherever, because there was not enough in Spain by that time. This and many other similar cases occurred with some frequency demonstrating the proximity of the management of the factory with the people of La Vall, to which they tried to help when those problems came to his attention.

In 1945, Labour Minister D. Jose Antonio Girón inaugurates "La Colonia Segarra", built in the heading La Cova, in front of the facilities of the clinic and shoes; they were separated by a road. It is an urbanization made up of 100 single family dwellings of one floor, with two, three or four bedrooms with garden, paved streets, gardens with drinking water sources, trees, market, Church and four National Schools. It was designed by the architect Castellonense D. Vicente Traver and known among the inhabitants of la Vall by "El Poblet", name with which she is still known.

To eliminate the likely situation of social instability, construction of housing for these immigrant workers increase their morale in two ways:

- a) To get that they were born into conservative feelings by having a housing, even if it was for rent.
- b) To increase those with reference to social conformism such as respect, hierarchy and gratitude.

The allocation of housing was carried out taking into account several parameters such as:

1. To be a permanent worker of the Factory and head of household.
2. Living in Vall d'Uxó.
3. Not own a home.

A lease was made (50 sts/month were usually paid) and the water was free, stimulating proper use and maintenance. For this purpose, prizes were given to the best conservation, the best garden and the best civic behaviour.

The creation of the Poblet was a resounding success which encouraged the company to repeat the action. So it was, so that by the end of the fifties they had 325 dwellings.

The dining room was another service the factory had to encourage workers who were not from La Vall to have an acceptable place and food for the time, avoiding their displacement and being able to rest until the work started again.



The other important service was the apprentices' school, made for future workers but for the children of the old ones too with the clear objective of improving the training of its future staff (technicians, cadres and controls) and consequently increase productivity lower costs and maintain and/or improve the quality.

With all of that, Segarra not only motivate the workers, also they take care of them, keeping them away from the dangerous of that period as black market, contraband or uncontrolled inflation.

The current situation is so different to this one described, as Beltrán stated “The current firm cannot be compared with the past one, everything had changed, it does not seem the same firm even the legal name, the only thing we maintain is the brand name and the main activity which is the production of shoes”. Just focusing on all of different kind of services Segarra offered in the past, the big difference could be founded, nowadays there are not any of those services, which currently are just available for big organizations.

Nevertheless, they had their own way to motivate the workers throughout big meals as lunch or dinner for Christmas or summer holidays or the typical Christmas basket as a present. They motivate the older workers to feel valued themselves asking them how to use some machines or how to do some specifically job, they try to leave on them some responsibilities to they know the managers trust on them. In spite of having inflexible schedules, they allow their workers to adapt their timetables in some specific situation when they really need it even if they need some advance, they do not have any problem to help their workers if they can.

### **Recruitment and selection**

It is important to analyse **recruitment** and **selection** of human resources too. From the time a vacancy appears until the commitment of compensation between the organization and the employed, goes through 4 phases:

- Personnel planning: prediction of future employment and definition of the profile of the posts to be filled.
- Recruitment: attracting people, generation of candidates.
- Selection: decision to recruit a candidate.
- Integration: an interactive process involving social and functional integration of staff in work and business community.

Keeping in mind that the factory described operated during the 40<sup>th</sup> years and later, it was not as modern as nowadays ones, so it had not got a complete plan for the human resources. So then, focusing on the recruitment that Segarra made, people from each corner in Spain noticed that there were a lot of vacancy jobs places because they announced it at all newspapers. As well as the recruitment, the selection was massive too, due to they really needed a lot of people working. Between the two different ways of selection that there are, traditional selection or competences selection, Segarra was clearly defined by the traditional one. As an old worker said in an interview, experienced or non-experienced, everyone had a spot in Segarra. As stated during the work, it was not difficult to find experienced people for the shoe production, but this fact had radically changed at the present.

As a consequence, Beltrán recognised that is so difficult for them to recruit experienced people, because in spite of La Vall had a lot of shoes factories for the after-war years, it has not that anymore, so that is a big problem to Calzados Canós when some workers becomes older and they need a substitute for them. He states they ask the public organizations regulating the work, but where they really can find what they need is asking their own workers because they usually know about someone who worked with them in the past or some similar situation. It causes that they have to plan the recruitment anticipated but they do not have a lot of opportunities to make a selection.

### **Training**

According to Bonache, J. and Cabrera, A. (2006) **training** is a set of learning experiences planned by an organization to induce a change in the skills, knowledge, attitudes or behaviours of employees in their work.

Some of the multiple benefits that training has in a firm are the improvement of the human capital owned by the firm, including the improvement of knowledges, abilities or attitudes; the support on other human policies it has or the compromise of the worker with the firm, raising their loyalty.

To carry out the training, Segarra created the apprentice's school, for the best training of the children of the workers and to be able to dispose of a trained workforce and both technically and productively, more efficient. Thus develop their socioeconomic project. As has already been said throughout the work, the company Segarra had a paternalistic spirit, being this an important aspect of the training received by students.

This was a long term strategy with the clear aim of improving the training of its future staff (technicians, cadres and controls) and consequently increase productivity lower costs and maintain and/or improve quality.

At their beginning, children started this school from they were 14 years old until they were 17 years, but later this was extended, accepting students from 11 years old. There, they received academic and vocational training clearly geared to training cadres of skilled workers and intermediate commanders at the level of section managers, focused on the characteristics of the industry's different sections. Once its formation finished, the work in the company was practically guaranteed.

They also created the Scholar Security Council, which was a city council initiative and meant that Segarra's factory started to coordinate the education of all of the educational centres in La Vall d'Uixó. They orientated this one to a more professional model of education, which became a benefit for the whole industrial sector.

Finishing with the training in the past, they created an innovative idea the "Silvestre Segarra Aragó social prevention scholar preserve". Built in some factory's property outside of the town, in Sagunto's city, that consisted on the idea of a camp, where they carried out some activities related with the agriculture, farm and other technical factors' knowledge. At the same time, they strengthen the discipline, hierarchy and effectiveness work.

To have a clear idea of what education meant for this factory, these are words expressed on their own magazine called "Apprentice's School", as the same school, and were published on 1944 "Vocational training is total training. For body and soul. It must be essentially educational. It would be a great mistake to consider the vocational training as a simple schooling. The human person must be prepared and prepare them for a job with which they can solve the problem of their life by an honourable and dignified way".

Based on the information that Beltrán and Salafranca shared, any of that exists nowadays, being the formation they offer in the present reduced to some courses about prevention and job risks, and forklift training. Nevertheless, they believe in the fact of the best knowledge is this ones that workers acquire throughout the practice and accumulating experience.

### **Evaluation and payment**

Salary	Shoes factory		Leathery factory		Gloves factory	
	Men	Women	Men	Women	Men	Women
Less 8pts	36	91	38	-	3	27
8-9 pts	15	222	18	-	-	7
9-10 pts	19	76	-	-	1	1
10-12 pts	92	10	12	13	-	4
12-15 pts	255	-	56	-	4	12
More 15 pts	209	-	218	-	10	-
Workers	626	399	342	13	20	64
Medium salary	13.46	8.07	12.24	1.50	13.98	8.99

Graphic 5: Extracted from "L'arxiu i els treballadors de l'empresa Segarra"

According to the factory's labour normative, workers could extend their base wage with some complements as extraordinary payments, plus because of family costs, seniority in the enterprise, profit sharing, overtime, night work or piecework. By the piecework it was pretended to stimulate the employees performance and it consisted on produce a bit more than the planned for an eight hour normal labour day.

Moreover, it was thought to create an own bank services or saving accounts, in this way would achieve the objective of the people had a social stability and they went to work more predisposed, and at the same time greater control of capital, as part of wages would go back to the company.

The savings accounts were voluntary and could be opened from one "peseta", the coin used in Spain by the time. Savings were guaranteed by the own company, and in 1941 a minimum interest of 5% was offered. Due to the non-success of this, they decided to complement it facilitating credits to the owners of a saving account, offering a 7% interest. Moreover, they started to pay the family costs and seniority in the enterprise subsidies through the saving account to motivate the workers having one.

Maintaining the essence of this shoes factory, in Calzados Canós some workers still doing their job by piecework method, so they are remunerated according to their jobs, which are principally evaluated by quantity, having some bonus as a consequence of their production. Beltrán pointed during the interview about the fact that it is difficult to change the way of payment because it is regulated and stipulated by an agreement of the whole footwear industry, which regulate the salary depending on the difficulty of the job, as well as extending their job hours to have an extra payment. They still having

some bonus and primes due to seniority, but not because of family costs or profit sharing.

## **FAMILY FIRM PAW IN HUMAN RESOURCES**

After analysing family firm's characteristics as Segarra human resources' ones, there is one main question need to answer: It could be different if it was not a family firm?

It is obvious that family meant a lot in Segarra, being one of the most important fact, so maybe the development of the firm would have been completely different in case Segarra was not a family firm, but it does not means it would have been better or worse, because being a family firm was the reason of their success as well as their subsequent failure.

First of all, as it has been discussed before, the real pusher of the firm was Silvestre Segarra Bonig, the son of the firm founder so, probably, if the founder had not decided to leave the firm in his son's hands, he had to hire some external person to manage the organization. Silvestre Segarra Bonig knew the organization so well, he acquired by natural immersion that tacit knowledge needed due to expend all his life next to his father and the firm, and may be, if the following manager had been an external person, this lack of tacit knowledge would not have allow him to adapt to the organization properly and this would not have reached that huge success. For example, one of the main characteristics of that factory was the paternalism, which had a lot of powerful and influence in the firm's performance, but this existed because of the familiar fact it had.

Moreover, it has been analysed that this success was a consequence of the strong and powerful relationships Silvestre Segarra had, and based on social network theory, relationships that probably an external owner of the firm would not have maintained just because they had not trust on him as well as they trust Silvestre and his family, especially if that relationship were so related with politics.

As well as the succession well influenced in the factory's performance at their beginnings, it was one of the reasons of the following failure. When the son of the founder passed away, the organization had more than one leader and the roles were not well defined, becoming a problem and being a big one when the shoes market started to fluctuate the way it did and having so important changes as its external opening.

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## CONCLUSION

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To conclude with this case-study, this chapter of the project will be a summary of the main objectives of the work as well as the most important information treated in that. This summary contains the comparison between the theory and the case-study, focusing on the differences founded in real facts and also the limitations and strengths that this work had due to the difficulties to access to more information about the case-study.

Being the main objective analysing those resources and capabilities which could become the most important ones in family firms as well as its relationship with the distinctive features of family firms, it is possible to say that it has been completed. This project has explained why human resources are one of the most important resources in an organization due to its inimitable factor which facilitate the capability to create a competitive advantage for the firm. In this project's case, it has been seen the importance of human resources focusing on its management, which was the main reason to become one of the most important footwear business in Europe during the post-war years but years later was the main reason for its crisis.

Seeing how these resources and capabilities have its influence on family firms, discussing if that is a good influence that helps the organization to achieve its goals or to develop the competitive advantage or it is a detrimental one that acts as a barrier in some aspects of the market or the production are part of the main objectives too. According to the theoretical framework of this case-study, there is not an agreement between all the authors who studied these resources and capabilities in family firms, because for ones these resources and capabilities are an advantage for family firms, in this case focusing on the tacit knowledge in familiar successions but for another ones, human resources in family firms are so limited and inflexible what can become a disadvantage in some dynamic environments. And this real case studied can confirm the theoretical framework because the results are so similar that the ones that the authors discussed. For the first generation succession, the environment was so stable so the tacit knowledge of the successor, and his own skills, allowed him not just continue with the familiar business, but pushing it into the greatest ones list of the country, founding the way of selling all their production made by one of the best productive process, what ended by having a great competitive advantage, confirming

what some authors discuss about the importance of management capabilities. In this case, the social network theory played a key role, being all the first Silvestre's contacts and relationships, as the ones he made in the army, the principal market where operate.

Nevertheless, for the third generation this mentioned tacit knowledge was not enough, due to the environment started to change so much and quickly damaging the organization, whose owners started having argues because of the management of the factory, being these two facts the main causes of the end of the firm. This means that despite being one of the most important factors in a business, human resources are not the only factor which influence an organization and sometimes may be other ones more powerful.

To make this work, some limitations have been founded like the fact of working on a factory which started more than one hundred years ago and had its bests just after the Spanish civil war, which means that some specific information and documents needed are lost in the municipal archive, which is not completely organized. Also as a consequence of being an old business, it does not have a completely monitoring or checking of their decisions or a completely study divided by specific parts.

Nevertheless, in the same way, the strength of this project was the importance that the factory had for the town, which means that there are a lot of people who worked there and could help with their stories and their point of view and there are some books and local authors who wrote about the Segarra's influence and the life in the factory because of its curious factor. Particularly the owners of the organization nowadays, who were pleased to contribute to this work helping by sharing some information needed for the work without any obligation of doing that.

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## **MATERIAL NOT PUBLISHED**

Universidad Jaume I (2017). Tema 1: La dirección de los recursos humanos (apuntes de la asignatura AE1028- Direcció de Recursos Humans).

Universidad Jaume I (2017). Tema 3: Reclutamiento y selección (apuntes de la asignatura AE1028- Direcció de Recursos Humans).

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