Accounting information as a facilitator of inter-generational transfer in family businesses: The case of an Andalusian business family

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ABSTRACT

This article aims at contributing to the study of the factors conducive to a successful intergenerational transfer within a family business, understood as that which favors the longevity of the family firms. The literature has pointed out how such transmissions tend to generate tensions that can threaten the survival of the family firms and business family cohesion.

An analysis is made of how a long-lived family business made use of accounting information during a process of inter-generational transfer. The case studied presents evidence on how the trust in accounting information was used to facilitate this process. It is concluded that trust in accounting information contributed to the longevity of family firm and family cohesion. In other words, it guaranteed the preservation of its socio-emotional wealth.

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Información contable como facilitadora de la transmisión intergeneracional en familias empresarias: el caso de una familia empresaria andaluza

RESUMEN

Este artículo pretende contribuir al estudio de los factores que conducen a una exitosa transferencia intergeneracional en una familia empresaria, entendida como aquella que favorece la longevidad de las empresas familiares. La literatura ha señalado que estas transmisiones suelen generar tensiones que pueden amenazar la supervivencia de la empresa familiar y de la cohesión de la familia empresaria.

Se analiza cómo una familia empresaria de larga duración hizo uso de la información contable durante un proceso de transferencia intergeneracional. El caso presentado pone de manifiesto el modo en que la familia empresaria usó la información contable para facilitar dicho proceso. Se concluye que la confianza en la información contable contribuyó a la longevidad de la empresa familiar y a la cohesión de la familia.

Es decir, garantizó la preservación de su riqueza socioemocional.

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1. Introduction

This article deals with the use that business families make of accounting reports to achieve successful intergenerational transfers, understood as those that contribute to the longevity of the family business. Such transfers usually generate stress regarding the survival of the family business and can even jeopardize the
continuity of the family firms when they engender conflict within the family (De Massis et al., 2008, p. 188). The literature has shown how intergenerational change is one of the most decisive processes within a family business and how it may lead to its disappearance (Rose, 1993, p. 133; Colli and Rose, 2008; Songini et al., 2013; Fernández and LLuch, 2016). This work aims at contributing to the literature on this topic with the idea that accounting information facilitates intergenerational transfers by preventing conflicts within the business family, thus increasing the probability of success.

This research adopts the theoretical approach of the socio-emotional wealth (SEW) of the family (Gómez-Mejía et al., 2007, 2010, 2011; Berrone et al., 2010). The SEW theoretical framework has a great potential to be used in studies dealing with the accounting issues of family businesses (Prencipe et al., 2014, p. 379), given that the performance of this kind of businesses is evaluated not only in financial terms (profit maximization, profitability, stakeholder value or cash flow), but also in non-financial terms, including the family’s and firm’s reputation with stakeholders, long-term survival as a family business, preservation of unity within the family and accumulation of social capital (Carney, 2005; Miller and Le Breton-Miller, 2005). In short, Songini et al. (2013) underline how family succession, an especially delicate process in relation to the preservation of SEW, introduces accounting research into the field of family business studies.

The literature that links SEW and accounting research has mainly dealt with the role of accounting choices related to management, earnings and quality information in family business (Stockzens et al. 2010; Pazzaglia et al., 2013; Acheiter et al., 2014; Gomez-Mejia et al., 2014), focusing on the first two dimensions of SEW: family control and influence, and identification of the family members with the firm. In addition, Pazzaglia et al. (2013) insist on the need to explore the other three dimensions and, together with Songini et al. (2013), draw attention to the role of accounting information in the preservation of SEW during the renewal of family ties through dynastic succession.

Thus, accounting history is used as tool for business history in this work. In this sense, we follow McWatters (2002), who pointed out that: “Accounting records are prepared within a specific organizational context. Their analysis and interpretation provide insights into actions of individual firms. It is at this level that choices and decisions were made in terms of the environmental context”. Along the same lines, Hernández Esteve (2010, p. 165) remarked: “Accounting history scope is to extract all possible knowledge from the analysis and interpretation of books of accounts and other accounting documents of the past”. More specifically, the literature on accounting in relation to family wealth suggests greater prominence of the accounting practice during key and critical events in the family life (Walker and Llewellyn, 2000; Ezzamel, 2002; Carnegie and Walker, 2007a, 2007b), such as, for example, the death of the patriarch and the subsequent division of the inheritance.

This article focuses on one specific case in order to analyze in detail the use given by business families to accounting reports during intergenerational transfer processes (Salvato and Moores, 2010; Berrone et al., 2012; Songini et al., 2013). It is the case of a long-lived business family that has successfully outlined various intergenerational transfers and is presently in its fifth generation. In addition, the family owns several firms that are relevant in their respective sectors: their naval company was ranked among the top three in Spain (Valdaliso, 1997, 1999) and their olive oil company became the most important exporter to Argentina and among the top three to New York (Ramón, 2012).

The sources used in this research are located in the Notary Protocol Section of the Historical Archives of the Province of Seville and in the Ybarra Archive. As a result, several deeds have been analyzed, such as that of the extinction of the pro indiviso (Deed of clarification or explanation of the distribution of goods left in the pro indiviso after the company José María Ybarra e Hijos was liquidated) and the wills of members of the first and second generation in the family, together with the deeds of constitution and dissolution of the different companies. The information provided by the works of Sierra (1992, 2006) and Ybarra Hidalgo (1985, 1987) has also been considered.

The rest of this article is structured as follows. The next section analyzes the business family through the various SEW dimensions. The third one studies the use given to accounting reports during intergenerational transfers with the purpose of preserving the family’s SEW. The work ends with a conclusions section.

2. The Ybarra family through the SEW dimensions

The SEW approach analyzes the non-economic factors that condition the decisions and behaviors of family businesses aiming to preserve their SEW (Songini et al., 2013; Prencipe et al., 2014). In general terms, this theory focuses on the impact that the family’s values, ties and objectives have on business aspects such as its firm’s corporate vision, strategic objectives, organizational dynamics, time horizon for decisions, intangible resources and stakeholders (Berrone et al., 2010; Gómez-Mejía et al., 2007, 2010).

In fact, SEW is the most important characteristic of a family business, that which differentiates it from other types of organizations (Berrone et al., 2012, p. 260). This is why preserving SEW in a family that is closely linked to an organization is a fundamental objective in itself (Gómez-Mejía et al., 2007, p. 108), and makes business families tackle their problems by considering how their decisions will affect their SEW (Berrone et al., 2012, p. 259). These authors define five dimensions that should be considered regarding the SEW of families: (i) family control and influence, (ii) identification of the family members with the firm, (iii) social ties, (iv) emotional attachment, and (v) the renewal of family ties through dynastic succession, which constitutes the central aspect of intergenerational sustainability (Zellweger and Astrachan, 2008; Zellweger et al., 2012). The latter dimension is the main aim of this article, which analyzes the specific case of the Ybarra family.

The Ybarra family was already an important family business in its hometown, Bilbao (Spain), when, in 1840, one of its members, José María Ybarra Gutiérrez de Cabiedes (Bilbao, 1816–Seville, 1878), the fifth child of the family’s founder, José Antonio Ybarra, established himself in Seville (Spain). Once in town, he married Dolores González Álvarez in 1843 and had five sons: José María (1844–1898), Eduardo (1846–1911), Tomás (1847–1916), Luis (1849–1916) and Ramón (1851–1925).

Ever since, in 1844, the family’s patriarch, José María Ybarra Gutiérrez de Cabiedes, started its first commercial enterprise (José María Ybarra Gutiérrez), the subsequent generations preserved the family’s control over the property and management of its firms, thus complying with the first SEW dimension and the theory of conservation (Zellweger et al., 2012). In order to guarantee the family’s control in the long term, the patriarch reproduced the usual behavior of British and Spanish family dynasties: as soon as their age and training allowed it, he gradually incorporated his sons into the family business (Díaz Morlán, 2002, 2013a,b). As the new members entered the family business the firms’ names were modified. Thus, in 1870, coinciding with the incorporation of the patriarch’s two eldest sons (José María and Eduardo) to the business activities, a new company was created, called José María Ybarra e Hijos.

In the same way, when the transfer from the second to the third generation was initiated in 1908, and the first members of the third generation (José María Ybarra Menchacatorre, Tomás Ybarra Lasso de la Vega and José María Ybarra Gómez) joined in along with
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