ISCTE ⊗ Business School
Instituto Universitário de Lisboa

Master Thesis

Descriptive Analysis of the Impact of Family Business's in the Portuguese Context:

AEF Universe

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DESCRIPTIVE ANALYSIS OF THE IMPACT OF FAMILY BUSINESS'S IN THE PORTUGUESE CONTEXT: AEF UNIVERSE

João Vitorino Vieira

Resumo

Com este estudo pretende-se realizar uma análise ao universo de associados da Associação das Empresas Familiares de forma a caracterizá-los e estabelecer algumas comparações com o panorama nacional português. No entanto, surge como principal objetivo do estudo, a elaboração de alguns indicadores que ajudem a revelar o impacto que este universo tem no contexto nacional.

A abordagem inicial ao tema é iniciada com uma análise aos principais temas em debate no universo académico e de investigação relativamente à temática das empresas familiares e do crescente interesse no estudo da mesma. De forma a completar o enquadramento do tema e as análises produzidas, foi feita uma recolha daquilo que vem sendo debatido, dando enfase ás preocupações, desafios e tendências que este tipo de empresas tem sentido. O confronto entre esses tópicos e os resultados obtidos será o grande alvo de discussão final.

Importa referir que os resultados e análises produzidas foram construídas com base em dados de 464 empresas com o objetivo de produzir indicadores que permitissem obter uma análise descritiva mas também de impacto macroeconómico. Assim, foram apresentados valores referentes aos anos de 2010 até 2016, que permitissem obter uma imagem caracterizadora dos sectores de atividade, forma jurídica, localização geográfica, dimensão e performance, das empresas em estudo. A nível do impacto macroeconómico as análises visam tópicos como o Imposto sobre o Rendimento das Pessoas Coletivas, Custos com Pessoal e o Produto Interno Bruto.

Palavras-Chave: Empresas Familiares; Impactos Macroeconómicos; Associação das Empresas Familiares; Economia Portuguesa.

Classificação JEL: M1; C82; E02.

Abstract

This study aims to produce an analysis of the universe of associates belonging to the Portuguese Association of Family Firms. The goal is not only to characterize them, but also to establish comparisons between them and the Portuguese macroeconomical scenario.

The beginning of this study is an introduction to the main topics surrounding the scope of family businesses that are currently being investigated in the academia. In order to complete the framing of the subject and the produced analysis, a summary of what has been debated on this topic was made, emphasizing the concerns, challenges and tendencies that this type of companies has felt. The confrontation between these topics and the results obtained will be the target of the final discussion.

It should be noted that the results and analyzes produced were based on data from 464 companies. That data was collected with the goal of producing indicators capable of allowing a descriptive analysis of the firms and also the macroeconomic impact they have on a national level.

In order to comply with the goals of the study, the indicators generated were produced to provide an image that characterizes the sectors of activity as well as the legal form, geographical location, size and performance for the firms in study. The data covers the time period that goes from 2010 to 2016. Finally, in terms of macroeconomic impact, the analysis carried by this study focus on topics such as Corporate Income Tax, Personnel Costs and Gross Domestic Product.

Keywords: Family Firms; Macroeconomic Impacts; Family Firms Association; Portuguese Economy.

JEL Classification: M1; C82; E02.

Acknowledgments

This study would be impossible to realize – or at least would be poorer – if it was done just counting on my individual work and efforts. The success of this work was levered by the contributions of many people who I must address my very honest acknowledgements. Among them is Prof. Dra. Alexandra Fernandes from ISCTE Business School, which I must thank for all the mentoring, attention and guidance since the beginning of this study. It is due to her trust that I had the opportunity of participating in this study. To professor Diogo Ribeiro Santos from AESE Business School for the collaboration and active participation in the study, especially in the selection and construction of the indicators used. To the Dr. Pedro Wilton from Euronext Lisboa, for sharing his knowledge, experience and opinions about the subject, added value to the conclusions and debate around the subject. To Dra. Marina de Sá Borges e Luisa Frezas Vital from Associação das Empresas Familiares (AEF), for allowing me to explore the data of their association, sharing their knowledge and experience on the subject. I must say that their collaboration was fundamental for this study. They were one of the main intervenient of this work and without their sympathy, trust, patience and time, this study would never be possible. In addition, I must address my family – especially my father – and express how thankful I am for all the love and support they gave to me while I was doing this study. To conclude I must say that this study is made in honor and memory of Maria de Fátima Rodrigues Vitorino who for many years devoted all her efforts in giving me the best chances to be successful. Without her I wouldn't even had the chance of enrolling in the master.

Abbreviations

AEF – *Associação das Empresas Familiares*. Translation: Portuguese Association of Family Firms

CAE – Portuguese Code of Economic Activity

EU – European Union

FBR – Family Business Review

GDP – Gross Domestic Product

IRC – Imposto sobre o Rendimento das pessoas Coletivas. Translation: Corporation Tax

IRS- Imposto sobre o Rendimento das pessoas Singulares

VAB – Valor Acrescentado Bruto: Gross Value Added

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1. Literature Review

1.1.   Family Firms Research Evolution

In today's economy the role of family firms is notorious. This category of firms is far from recent. Family firms were important in ancient civilizations and even in the development of the western civilization (Bird et al., 2002), and are associated with major contributions to the economy. In fact, they were one of the motor forces behind the development process of the world's economy in the early phases of the industrialization age (Hall, 1988).

Thereafter, family businesses have been playing a major role in the world's economy. However, only in the last decades researchers started to give more attention to this subject. Until the 1990's, the lack of empirical studies about family firms was motive of some concern, as stated by Wortman (1994) and Handler (1989) with family firm's research being fragmented merely in focus and findings (Bird et al., 2002; Chrisman et al., 2003). The early researchers in this field focused their studies in the succession topic, which was a key challenge faced by family firms (Handler, 1989; Wortman, 1994). These articles devoted attention on the complexity of the issues that family firms may face (Zahra & Sharma, 2004). Despite the contributions made by those studies, as well as the initial exposure they gave to the discussion of this field, many of those writings lacked systematic analysis and scientific rigor (Wortman, 1994). Until the mid of the 1980's research on this field kept scarce and mainly focused in the succession topic along with the previous critics made by Wortman (1994).

Afterwards, until the mid of the 1990's, the number of scholars from several disciplines attracted to the field increased rapidly (Dyer & Sánchez, 1998). With the roots of the subject already implemented, it was time to develop further into it. That brought a larger number of methodologies applied and topics investigated inside the field of family firms. Despite such advances in research, succession still persisted as a dominant topic in the field (Sharma et al., 1996). Following this interest in the study of family firms, in 1988, Family Business Review (FBR) was published for the first time, compiling several articles in this subject. In 1998, Dyer and Sánchez conducted a major review of 186 articles published in the FBR for the period between 1988 – 1997. In that study they found that, besides articles focused mainly on the succession topic, other ones started to get

emphasized. In particular, topics like firm performance, consulting to family firms, gender and ethnicity, interpersonal family and business dynamics, were topics with over 15 articles published, within the 1988 – 1997 time window. To better understand the years after the mentioned review from Dyer and Sánchez (1998), a survey of 190 articles published between 1996 and 2003 by Chrisman's et al. (2003) provides crucial information for the years around the turn of the century. In that study is possible to verify that succession still remains the dominant topic with 22.1% of those 190 articles to focus on this topic. The focus of the literature on succession is a mirror of the great concern that family business managers had (Chua et al., 2003). However, it should be highlighted that more topics started once again to claim their relevance. The table below (Table 1) was retrieved from that study of Chrisman's et al. (2003) and compiles the seven topics that had the biggest percentage of publications as primary subject on the family business research, for the period of 1996 – 2003.

Topic Classification	% of the 190 articles
Succession	22.1
Organization Performance	19.5
Leadership and Ownership	7.4
Corporate Governance	9.5
Behaviors and Conflict	6.3
Goals and Objectives	5.7
Entrepreneurship and Innovation	5.3

Table 1- Percentage of articles and papers published or presented between 1996-2003, that were written having such topic as primary subject (N = 190), Adapted from Chrisman et al. (2003).

Until 2003 other topics started to emerge, although with a smaller percentage. In this period, it is also important to highlight that not only changes in the topics covered started to emerge, but also changes in the scientific investigation and methodology used in the articles. Some research based on careful theoretical grounding and data analysis started to be published (e.g., Danes et al., 2002; Morris et al., 1997; Mustakallio et al., 2002). In conclusion, until the end of this period, comprising approximately two decades of research, the same issues have dominated the focus of the researchers: succession, performance and governance of family businesses. Therefore, issues related to the management of this firms, innovation, resource management and internationalization remain understudied until this time (Zahra & Sharma, 2004).

In order to complement these reviews, I will follow a study conducted by Evert et al. (2016), where is compiled a set of empirical studies developed in the field of family firms, for the time window of 1988 to 2014, published in the FBR. In this review Evert et al. (2016) published the two graphics shown on Figure 1 and 2 where it is possible to verify the occurred growth of empirical articles published in FBR is increasing over the years.
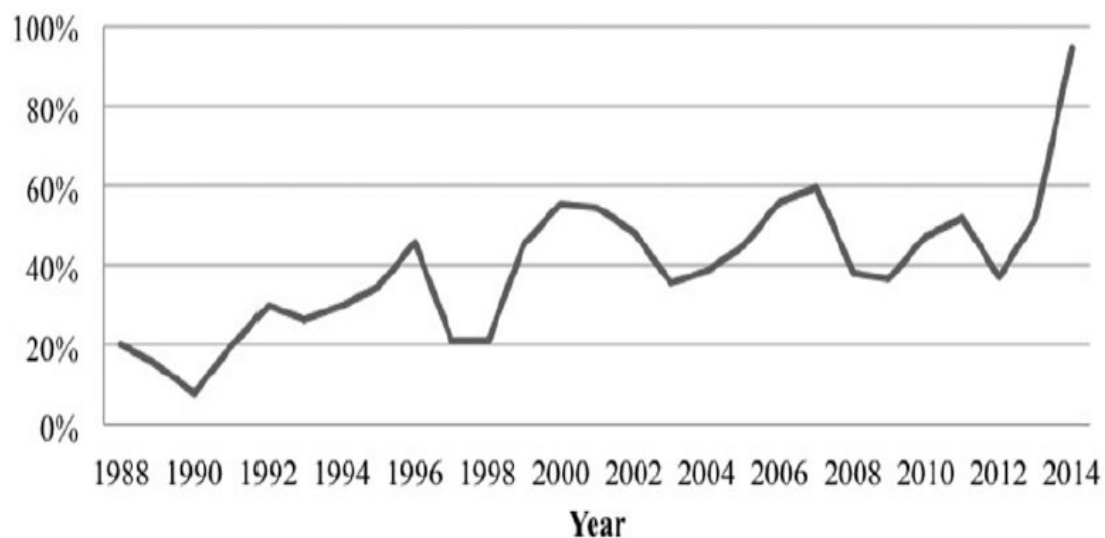

Figure 1 – Growth of empirical articles in Family Business Review (FBR). 1988-2014 (N= 855). Adapted from Evert et al. (2016).
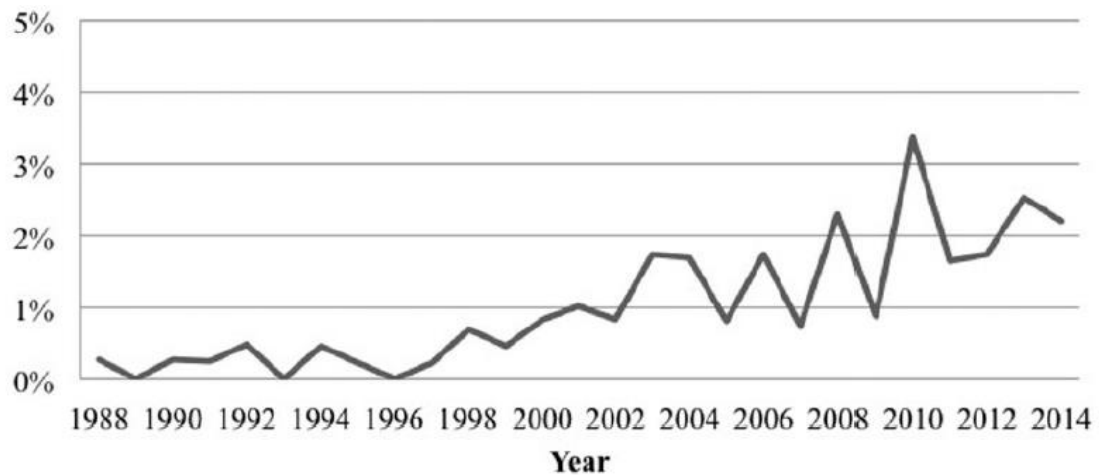
Figure 2 – Growth of family business empirical articles in other journals. 1988-2014 (N= 13101).
Adapted from Evert et al. (2016).

The mentioned study confirms the need to get a better understanding of family firms that where often treated as a small and minor field in management literature, or even in sociology (Bird et al., 2002). Aiming for the consolidation of family firms as a discipline, several papers reviewing the literature on this subject in a descriptive perspective have been published (e.g., Bird et al., 2002; Chrisman et al., 2003; Dyer & Sanchez, 1998; Zahra & Sharma, 2004). Furthermore, along with the increase in the number of publications, the increasing impact and interest across the academic community demonstrates that the family business field is growing in acceptance and prestige (Evert et al., 2016). By recognizing this trend, researchers state that nowadays family firms are an established field and no longer mistreated. Studies published more recently corroborate such statement (e.g., Sharma et al., 2012; Stewart & Miner, 2011; Wilson et al., 2014). However, despite the efforts made so far, the current state of the research made in this field, lacks detail and clarity, especially in relation to more legitimated domains (Evert et al., 2016).

Critics made by Evert et al. (2016) are related with key aspects that generate discussion among researchers regarding this subject. One of the critics is the discussion towards reaching a consensus on the boundaries and relevance of the field in order to develop a "*coherent comprehensive framework*" (Wortman, 1994: 3). To end this review, is important to note that in this last study, Evert et al. (2016) makes a strong statement when reminding that the rising of data analytics and statistical software, can help researchers develop and test more sophisticated and robust questions. Today's advances in data science – such as the advent of big data, machine learning, artificial intelligence, easier

access to digital transformation by the enterprises and easiness in collecting quality data – will provide tools for researchers to develop studies that are richer, well corroborated and with improvements in overall quality.

However, some recent authors defend that qualitative research approaches in the field of family firms are under-realized (e.g., Reay & Zhang, 2014; Reay, 2014; Fletcher et al., 2016). In these recent articles, some topics arise as targets for future research in the field of family business. Among them are the paradoxes[1] and dualities[2], the family business processes and execution[3], and the contextual and industry-specific aspects of family business behavior[4] (Fletcher et al., 2016).

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[1] Smith & Lewis (2011) for more about the paradoxes issue.
[2] Jackson (1999) for more about the notion of duality.
[3] De Massis & Kotlar (2015)
[4] Gomez-Mejia et al. (2014): research suggest that the relationships of family business owners and managers with a high- versus low-tech sector can shape the way they engage in innovation.

1.2.   Definition

In connection with what has been said in the last section, within the scope family firms research still persists some lack of consensus around a few key issues. Leading them, is the discussion regarding the definition of family business itself. Even with the increasing interest in this field, in particular regarding research about objectives, behavioral aspects and particularities, the published research has shown reluctance towards converging into a generally accepted definition – mainly due to the presence of some ambiguities in the proposed definitions (Chua et al.,1999; Litz, 2008; Upton et al., 1993). Hence, the urgency to clearly define it and establish clear boundaries towards was evident.

This need originated bigger efforts to define family firms, identify basis of distinctiveness of the field and articulate the dimensions of family firms' performance (Zahra & Sharma, 2004). The first published definitions were built upon the level of family involvement in the firm's ownership and management (Sharma et al., 1996). Back then, this was the main criteria to differentiate family from non-family firms. This criterion was mainly based on the family possession of the majority of the capital, decision-making rights and/or in succession factors. The problem with these approaches was the fact that some non-family firms – with the same extend of family involvement that family ones – did not consider themselves as such (Chua et al., 1999; Westhead and Cowling, 1998).

Moving forward in time, a study of Chrisman et al. (2005) regarding previous definitions, concludes that the approaches used by researchers could be divided into involvement and essence. The most commonly used involvement criteria include ownership, governance, management, and the involvement of multiple family generations. The essence approach includes criteria such as the intention for intra-family succession, self-identification as a family firm, and the preservation of socio-emotional value. However, questions regarding whether such criteria are enough, as well as how the combination of criteria should be balanced, and analyses of interactions between criteria, are still a discussion nowadays (De Massis et al., 2012).

More recently, researchers have more consistently changed their perspective and start considering family firms as heterogeneous instead of homogeneous, making a consensus even harder to obtain (e.g., Melin & Nordqvist, 2007; Sharma & Nordqvist, 2008; Westhead & Howorth, 2007). Despite the discussion that shapes this issue, a definition is needed to proceed with the study.

Being this dissertation about Portuguese institutions and their action's range under the European Union jurisdiction, is proper to consider, under such contingencies, the definition followed by the European Commission and the Portuguese Association of Family Firms (European Commission, 2009). In 2009 the European Commission defined that, regardless of its size, a firm is considered a family firm if it meets the following four criteria:
"

1. The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child, or children's direct heirs.
2. The majority of decision-making rights are indirect or direct.
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital."

(European Commission, 2009:161)

Another important definition criteria to consider is the one applied by Euronext that have some similarities with the previous one. For Euronext, a business is defined as a family business if:

- The physical person(s) who created the company, or the physical person(s) who acquired the company capital, or their spouses, parents or children or direct heirs of their children have significant influence on the control of the business;
- At least one representative of the family or relatives is formally involved in the governance of the company;
- The next generation guarantees control or if there is a clear-cut intention to take over the company.

The guidelines for those criteria are:

1.Relevant stake	With a significant size and/or capacity of influencing day-to-day or strategic decisions within the company
2. Several family members in the management	At least one representative of the family or relatives that is formally involved in the governance of the company
3. More than 1 generation in the company	As a guideline, first generation companies would not be considered family-owned companies by itself unless they fulfill other criteria (example: two founding brothers)
4. At least 1 handover	Can be a "vertical" handover (father/mother to son/daughter/nephew/niece) but also "lateral" (brother to brother), although the latter being uncommon

Table 2 – Guidelines for classify Firms as a Family Firm, according to Euronext (Adapted from Euronext Index Rule Book – Euronext Family Business Index Version 17-02-2017 www.indices.euronext.com).

Therefore, following the last statements, the definition adopted by the European Commission is the one to be considered for the remaining sections of this dissertation due to the clear portion of ownership requirements in relation to topic 1 of the Euronext Family Business Index criteria and the complexity of acquire information to confirm the two last points. For this study the applicability of the European Commission criteria is more suitable since it defines more clearly the methodology and rules that must be applied.

1.3.　　　Family Firms Context in Numbers

In the section 1.1. of this study, the evolution in the research domain on the family firm's field, was clearly convergent in pointing towards the relevance that family firms are playing, at least in the academic and investigation scope. In an attempt to better characterize the importance of family businesses, this section will give focus to the positioning of family firms across the economy and business worldwide.

In today's economy, family businesses are the most frequently encountered ownership business model in the world. Their impact on the global economy is considered significant, as it is estimated that the total economic impact of family businesses over global GDP is larger than 70% (Osunde, 2017). Family firms' contribution for the economy does not stop there. It is estimated that between 50% to 80% of jobs, in the majority of countries worldwide, are created by family businesses (European Family Businesses, 2012).

Regarding Europe, according to the European Commission, family businesses compose more than 60% of all companies in Europe. Regardless their size, family businesses play a significant role in the EU economy and represent between 40% and 50% of all jobs for this region.

As for Portugal, according to the *Associação das Empresas Familiares* (AEF), it is estimated that between 70% and 80% of the firms are family businesses. It is also estimated that this firms contribution to the national GDP is around 50% and to be the source of nearly 60% of the jobs nationally. Back in 2007, the AEF's associates generated nearly 11.9 billion euros in revenues (http://www.empresasfamiliares.pt/quem-somos, 1/07/2018). Portugal is then following the pattern of the EU and other external countries. In the annex section, Table 4 can be seen as complement to what has been said so far regarding the world's relevance of family businesses in the economy. In order to provide a glance of what is the Portuguese portrait of family firms, Figure 3 will provide that notion. By looking at Figure 3, it is possible to infer that in Portugal, considering only the AEF's associates, the services, trade and construction sectors, are the ones where most of the family business lie. However, this data is from 2007, which means that nowadays the scenario might be different. Meanwhile, in the rest of the world the picture is not that different. The Family Business Monitor of FBN International states that at least 40 % of all family businesses are concentrated into three sectors: manufacturing, construction and trade (European Commission, 2009).
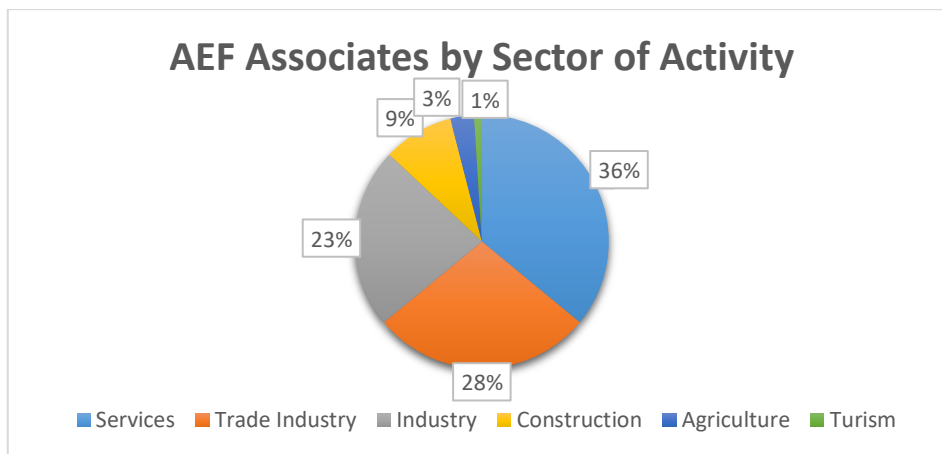
Figure 3 – Distribution of AEF Associates by sector of activity in percentage. Adapted from http://www.empresasfamiliares.pt/estatisticas, in 02/07/2018

1.4. Trends and Challenges

According to the report "Overview of Family Business Relevant Issues" produced by the Austrian Institute for SME Research (European Commission, 2009), a set of challenges where pinpointed for the family businesses inside European borders. Among them is the transparency of the family business sector. In this challenge, it is argued that the lack of political sensitivity towards this field stands in concerning levels. The lack of data and a clear definition, as well as the demarcation of the field, leads to scarce means to justify family business specific political action. In addition, the specific representation of the field in policy discussions is residual in most European countries. The existing family businesses organizations, such as AEF, are young, mainly located in Western Europe and weak in terms of ability to influence policy making. The challenge becomes even harder when traditionally, enterprise/employers' organizations tend to be organized either by size or economic activity (European Commission, 2009).

Other Challenge pointed by the same report is the balance between business and family scopes. All organizations have to contend with interpersonal dynamics, but the family involvement introduces a further source of complexity (Mitchell et al., 2003). Although family business can carry several sources of conflict, some potential benefits are pointed. For example, close relationships and mutual influence can bring a higher personal commitment, longstanding experience and business relationships across generations (European Commission, 2009).

Furthermore, the availability of labor, the "need for talent" and their capacity to capture them, are nowadays concerns. According to updated information produced by KPMG's European Family Business Barometer (2017), in the survey performed 43% of the respondents identified the "war for talent" as the most important issue faced by their family firm. The availability of human resources, paired with its increasing costs, was cited by 32% of the respondents as putting greater pressure on family businesses. These concerns have risen over the last several years[5] (KPMG report, 2017), with this particular challenge being also corroborated by a PWC's survey made in 2016 on 2802 family firms, where the capacity to attract and retain talent is pointed by 58% of the respondents as a main challenge for the next 5 years.

Innovation is also a topic for discussion in the field. Family firms are very concern with this subject. As the PWC survey concludes, 64% of the firms believe that the most important challenge for the next five years is the need for continuous innovation. However, one of the key tools for those firms to achieve a successful innovation process collides with the previous challenge of the need for talent. Having the right people with the right skills and knowledge is an important part of this process, and firms recognize that evidence (KPMG report, 2017).

Parallel to this issue is the loss of profitability. This decline in profitability is corroborated by 36% of family businesses, which may be a direct result of the increase in labor costs and competition (KPMG report 2017). In order to increase the performance of family firms, more efforts should be made in the challenges/trends previously discussed. However, as mentioned in the PWC's 2016 report, one of the most significant changes in this field was to move from the short term and tactical planning, to medium term and strategic plan. Craig and Moores (2005) propose the balanced scorecard as a supporting tool for balancing family and business needs in strategic planning for family firms. Further research in a topic like that might provide an answer to such gap.

Innovation and profitability are major concerns for family firms. However, to innovate, funds are necessary, making financing a challenge to overcome. Family firms are often reluctant to accept external investors because they do not want to share control. This causes their growth and innovation dependent on the family owners' capital and bank loans. Furthermore, it is more difficult to decide on how to expand, particularly in the

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[5] In annex there is the Figure 14 with more information regarding this subject.

field of globalization/ internationalization, if a low level of funds is available (European Commission, 2009).

Succession of the leadership is another challenge for most family firms. Thus, the referred problem emerges as an important area of study, since one of the primary reasons of family firms failure is due to the lack of a written succession plan (Tatoglu et al. 2008).

According to PWC's 2016 report, 43% of the family firms do not have any succession plan, and only 12% of the family firms reaches the third generation. Considering the vast number of studies conducted in the last decades about this issue, as seen s throughout the last sections, the fact of a considerable percentage of family firms that do not hold a succession plan is worthy of attention.

2. Methodology for the Database Construction

In order to obtain the set of companies that compose the file, a set of rules and methodologies were followed. In that sense, the perimeter that separates and states whether a company belongs to the universe of AEF's associates and the way that their results are exhibit in the file, is extremely important. Stating the criteria and methodology in a clear form is key for the all the end users of this file. It facilitates their understanding of the data and supports the numbers and conclusions to make.

2.1. Data Collection and Goals

The data was collected mainly from Amadeus and Sabi databases[6] - with Sabi being the mainly used one. The collected data includes other sources such as the AEF's internal data (for example, accounting data from Primavera software), or even data from previous conducted studies. However, it is important to mention that the usage of external databases sometimes restricts the information extraction to the available data. There are missing data regarding some companies or fiscal years, and for that reason some fields in the file are null due to lack of information.

One of the objectives of this study was to build a database that includes both direct and indirect AEF's associates. This dataset will be later used to infer conclusions regarding how significant the impact of family firms on Portuguese economy is. In addition, qualitative features will also be extracted in order to help characterizing family firms. Finally, another relevant information collected for the dataset was the Tax Identification Numbers[7] of the AEF's associates. With such list, future researchers can drop those numbers in Amadeus or Sabi databases and extract the variables they want for the years they choose. It also makes the task of recording the growth and significance that AEF has in the economy and possibly contradict the issues that European Commission (2009) pointed out regarding the low influence family businesses organizations have in the economic and politic grounds. This listing was created in an excel file to be simple for every researcher or employee of AEF to add or remove a company and to drop out a .csv

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[6] Both Sabi and Amadeus Databases are BvD databases that comprise data from companies around the world in case of Amadeus and Portugal and Spain in case of Sabi.
[7] Tax Identification Number is unique for each company. NIF – Número de Identificação Fiscal.

file – or simple copy and paste the identification numbers – in Sabi and then choose the variables that suit their purposes with new data.

2.2.   Criteria and Rules for Perimeter Definition

The first criteria to be explained is that the study will not be strictly focused in the companies that are direct associates – companies that pay the quota to AEF. The study will also compile companies that own or are owned by the company that is the direct associate. The reason for withering the range and perimeter this called "indirect associates" is attached to several arguments of AEF members that state that when they negotiate a contract with a group, they sometimes are including only one small set of companies that belong to such group to avoid a major bill for the group. The quotas to be paid already take in account the size of the company or group according to a predefined table. Also, sometimes AEF are not negotiating with company associates but with the families that own several businesses. In the formal sense, billing and accounting perspectives, the universe of associates are smaller than it actually is. Whoever for the AEF and the associates' itselves, they consider to belong to AEF's as a family or as a business group and not as a single branch of their business.

This acknowledgment was the main issue regarding data collection since was not always easy to link either upwards or downwards the full list of companies within a business group, family or owner. The search was done by following the procedure:

a) Extraction of the companies identification numbers from the billing list in Primavera software;

b) Search individually if the company is currently an associate or not, with the current year to be based in 2016.

c) With the process made in a) and b) the 1st stage file was created with a list of direct associates.

d) Searching individually the 1st stage file companies in Sabi in search of company's ultimate owners and subsidiaries to find the indirect associates under or above groups, companies or families that own associated companies.

After the step d) a full file was generated with the companies founded in Sabi and Amadeus. Not always the databases had information about every company, which led to the exclusion of companies where missing data was so intense that no significant

information could be extracted or where the most recent data records where previous than 2015. The timing of the study also made difficult to have closed accounts for 2017. With the data collection to be made across June and July of 2018 not all companies had data for 2017. Regarding 2016, only 14 companies do not have available data for that year. This makes 2016 the more significant year for analyses. In the beginning of the study, the goal was to be able to produce analysis for a 10 year period. However, for years before 2010, few data were available. That led to the exclusion of such years, restricting the study to the time period of 2010 to 2016.

Another important issue was whether a company or group consolidates its accounts – consolidated statement – or not. The rule applied was, every time a group consolidates its accounts, the group will be considered and the respective subsidiaries will be excluded from the file to avoid duplication. The consolidation that lies near to the top of a group's organogram is the one that holds in case more than one branch of the group consolidates accounts. In case the consolidation statement does not include all the companies that are hold by the group or family owning the group than those companies will be added to the file individually. Only companies or groups that meet the rules of definition of family business according to the European Commission will be considered for the study. In case of associates that are headquartered or possess branches outside Portugal, only the branches or firms belonging to that company that are outside Portugal were excluded.

Finally, it is important to mention that, in order to produce conclusions, data about the Portuguese environment was needed. In that sense, this thesis made use of data from the National Institute of Statistics (INE), Pordata – a Portuguese portal for national and European statistics.

2.3.   Formulas Used

In order to provide a base of understanding and clarify the results obtained, this topic will list the formulas and definitions that were used in this study. With such information the results can be better explained. It also provides an additional methodological support. The formulas listed below were the ones less obvious and that originated the most relevant indicators further exhibited in the study. Since those indicators are the main part of the study and the drivers for most of the conclusions and debate, it was mandatory to provide as much information as possible about the numbers.

- Formula number 1 – Contribution for Portugal's IRC Revenue (corporation tax) for each year:

$$\frac{\sum_{i=1}^{X} Income\ Tax\ for\ the\ Year}{IRC\ collected\ by\ Portugal\ in\ the\ year\ (corporation\ tax)} * 100 \qquad (1)$$

- Formula number 2 – Percentage of IRC in the Total of Portuguese Direct Taxes Revenue for each year:

$$\frac{IRC\ collected\ by\ Portugal\ in\ the\ year\ (corporation\ tax)}{Direct\ Taxes\ for\ the\ year} * 100 \qquad (2)$$

- Formula number 3 – Portion of Portugal's Personnel Expenditures that is Created by AEF for each year:

$$\frac{\sum_{i=1}^{X} Personnel\ Expenditures\ that\ is\ Created\ by\ AEF\ companies}{Total\ Personnel\ Expenditures\ in\ Portugal} * 100 \qquad (3)$$

- Formula number 4 – Contribution of APEF's Universe for the Portuguese GDP:

$$\frac{\sum_{i=1}^{X} Gross\ Added\ Value\ of\ AEF\ companies\ (VAB)}{Portuguese\ GDP\ for\ the\ year} * 100 \qquad (4)$$

x: the total of 464 companies less the ones that have null values for the variables for the given year.

3. Analysis of the Data Collected

After collecting all the company identification numbers, they were inserted into the Sabi database in order to obtain some chosen variables for this thesis. The overall goal of the thesis was not only to obtain the set of identification numbers for the AEF's universe, but also to generate some indicators allowing to obtain a general picture of what the association represents in the national context. Following that goal, a set of important indicators were established according to the needs of the study and the AEF, according to the information available and in accordance with the councils of multiple professors involved in the project.

So, this chapter needs to address topics that are capable to provide an idea of the impact these firms have in the national government tax revenue, in the GDP and in the salaries payed in Portugal. Below are the set of indicators produced.

Descriptive Analysis:

- Sector and Legal Form Analysis:
  - Distribution of AEF's Universe by Legal Form of the Companies
  - Top 10 by Portuguese Code of Economic Activity (CAE) With More Firms in AEF's Universe;
  - Sectors and legal form analysis with focus in big groups that compose the set.

- Geographical Analysis:
  - Distribution of the AEF's Universe by the Region in Portugal where they are Headquartered;
  - Comparison with the national contribution for the national GDP by NutsI[8];
  - Comparison with areas with more economic activity in Portugal.

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[8] NUTS – Nomenclature of territorial units for statistical purposes – Is a hierarchical system that divides the territory into regions. This nomenclature was devised by Eurostat and is subdivided into 3 levels (NUTS I, NUTS II, NUTS III), defined according to population, administrative and geographical criteria (Adapted from Pordata. in 16-02-2019, https://www.pordata.pt/en/What+are+NUTS).

- "Size" and Performance Analysis:
    - Net Profit by year, for the AEF Universe in Millions of Euros.

Macroeconomical Analysis:

    - Percentage of IRC in the Total of Portuguese Direct Taxes Revenue
    - Portion of Portugal's Personnel Expenditures that is Created by AEF
    - Contribution of APEF's Universe for the Portuguese GDP

3.1.   Descriptive Analysis

In order to describe the AEF's Universe, it is important to produce some numbers that express the size and importance of such association. To accomplish that, this section will briefly provide an overview of what is the AEF Universe that took part of this study. To start this descriptive analysis the Figure 4 exhibited below, demonstrates the number of companies in the study and how are they divided regarding their legal form:
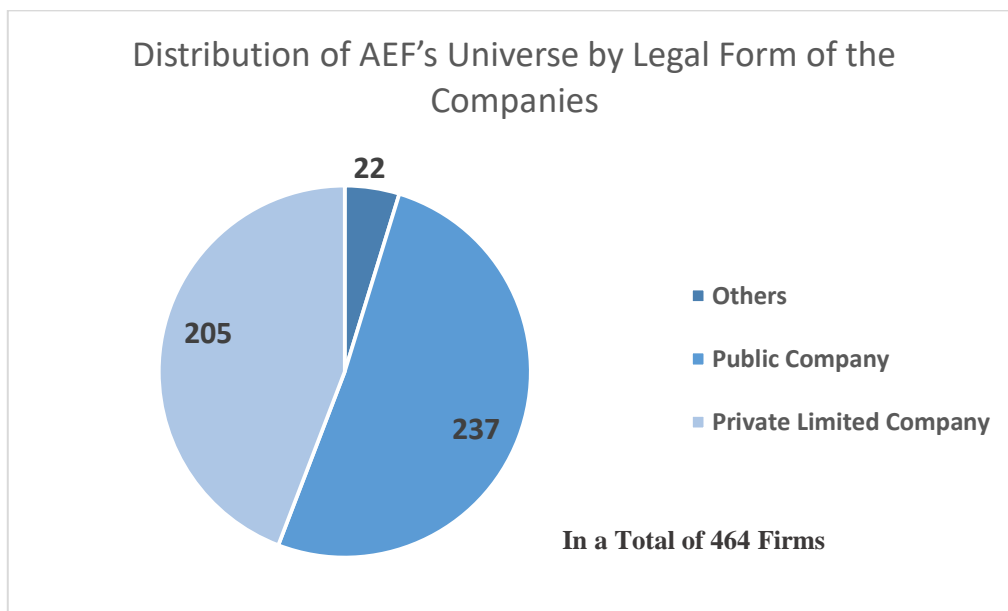

Figure 4 – Number of firms in study by legal form.

From this information it is possible to conclude that the universe in study is composed mainly by private and public limited companies[9]. This universe is also roughly equally distributed between the private and public companies. An important fact that was collected after a drill-down in this analysis was that the study includes 57 holding companies. This is an important insight for the potential relevance that AEF might have in a national level. Searching thought those 57 companies, some of the most relevant Portuguese companies started to emerge, namely, Jerónimo Martins SGPS, S.A., Mota-

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[9] Public Companies: It address the legal form in Portugal represented as Sociedades Anónimas. Private Companies: It address the legal form in Portugal represented as Sociedades por Quotas.

Engil SGPS, S.A., Gestmin SGPS, S.A., Semapa SGPS, S.A., Luis Simões SGPS, S.A.. Just looking for this information, it shows that family businesses are not just small and medium enterprises. Large corporate groups are part of AEF as well. Mixing those two categories is a mistake. Such results also poof that AEF's work has been recognized and larger groups saw the potential benefits of joining this association. Family firms understood that they can benefit as a whole if they work together creating synergies and partnerships. AEF has proven to be a great business generator and adding value to a field that is often ignored by many.

This universe is also diversified in terms of activity sector. This set of firms has 182 different activity codes (CAE – Portuguese Code of Economic Activity). For a set of 464 companies, where 57 are distributed over two categories for holding companies and 31 in the category of consultancy for business and management, there are left 376 firms for 179 categories.

Top 10 CAE With More Firms in AEF's Universe	Count of Firms
Actividades das sociedades gestoras de participações sociais não financeiras	36
Outras actividades de consultoria para os negócios e a gestão	31
Actividades das sedes sociais	21
Construção de edifícios (residenciais e não residenciais)	14
Actividades de contabilidade e auditoria; consultoria fiscal	11
Arrendamento de bens imobiliários	11
Compra e venda de bens imobiliários	11
Agricultura e produção animal combinadas	10
Hotéis com restaurante	10
Produção de vinhos comuns e licorosos	9
Comércio por grosso de outras máquinas e equipamentos	9
Total	173

Table 3 - Top 10 CAE with more firms in AEF's Universe

The table above, summarizes the subset of activities that are more representative in the universe in study. If we look for the total of 173 firms distributed by only 10 of the 182 categories, the diversity of the AEF's universe gets even more emphasized. These numbers also demonstrate that family firms are not restricted to a particular set of fields and business categories. Family firms are spread across many sectors of the economy, from agriculture to hospitality, construction to accounting, and many other fields. Combining this information with the previous graphic, ~~gets~~ it's evident that family firms – within the study sample – can vary in legal form and economic activity. ~~Whoever~~ However, family firms, as any other business, are influenced by the surrounding economy and social characteristics of the society where they are present. That is why the next analysis will cover the geographic distribution of the AEF's Universe.

The geographic location of companies, specially their headquarters, as isolated indicator, might be insufficient to express the area of impact of a given company. However, in family firms it can unveil some information about the origins of their family and the business itself. This might be an issue to be object of further study. To address this question the next graphic will represent the distribution of the headquarters of AEF Universe across Portugal's regions.
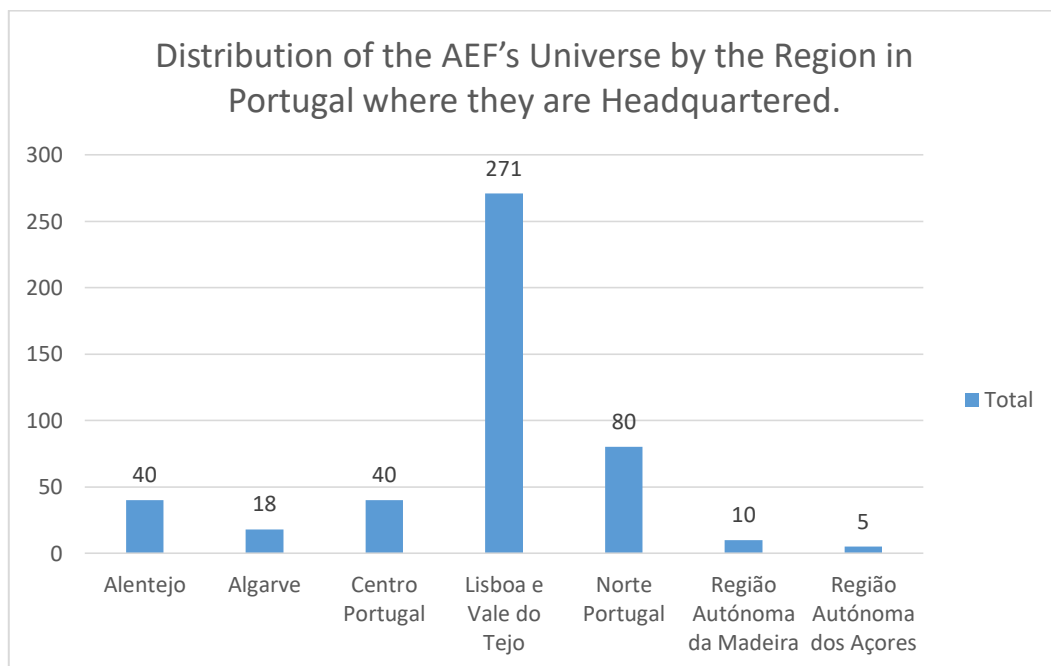

Figure 5 - Distribution of the AEF's universe by the region in Portugal where they are headquartered.

By reading this graphic, it is evident that most of the companies are headquartered in Lisbon and its surroundings. This is a scenario that might involve several justifications combined. One fact is that the population in Portugal exhibit higher density levels near the western shore than in the east, as the Figure 15 in the annex section tells. Another fact is that the main regions that contribute to the GDP are the same as the ones identified above with larger values. Figure 6 is a proof that Norte de Portugal and Lisboa e Vale do Tejo, are the areas that contribute more for the GDP.
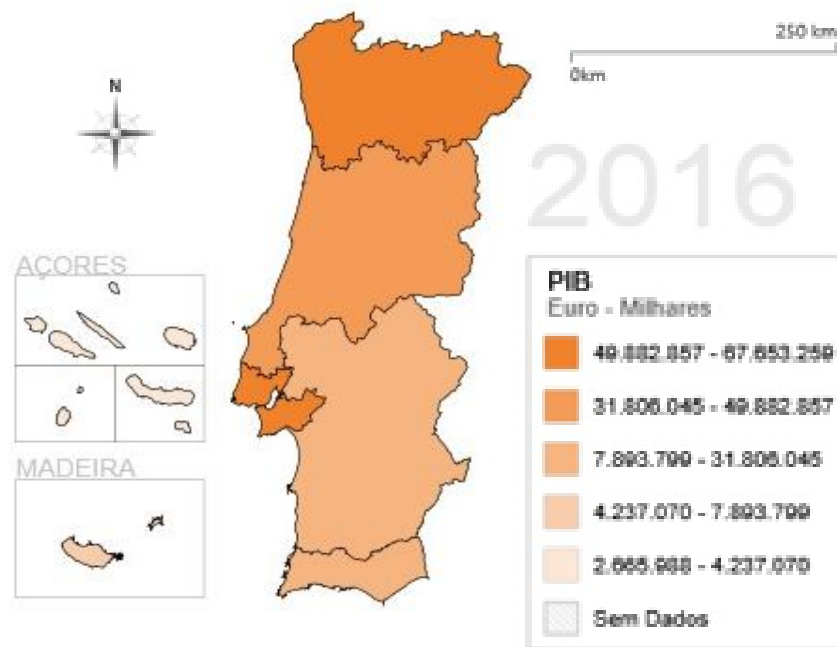

Figure 6 –
  Contributions for the national GDP in thousands of Euros, by geographical regions of Portugal.

Obviously, this means that more activity is grounded in these areas and that activity involves companies as well. To prove that the next graph exhibits the economic activity generated by non-financial companies and demonstrates that the area of Lisboa e Vale do Tejo and the west coast are areas with more economic activity.
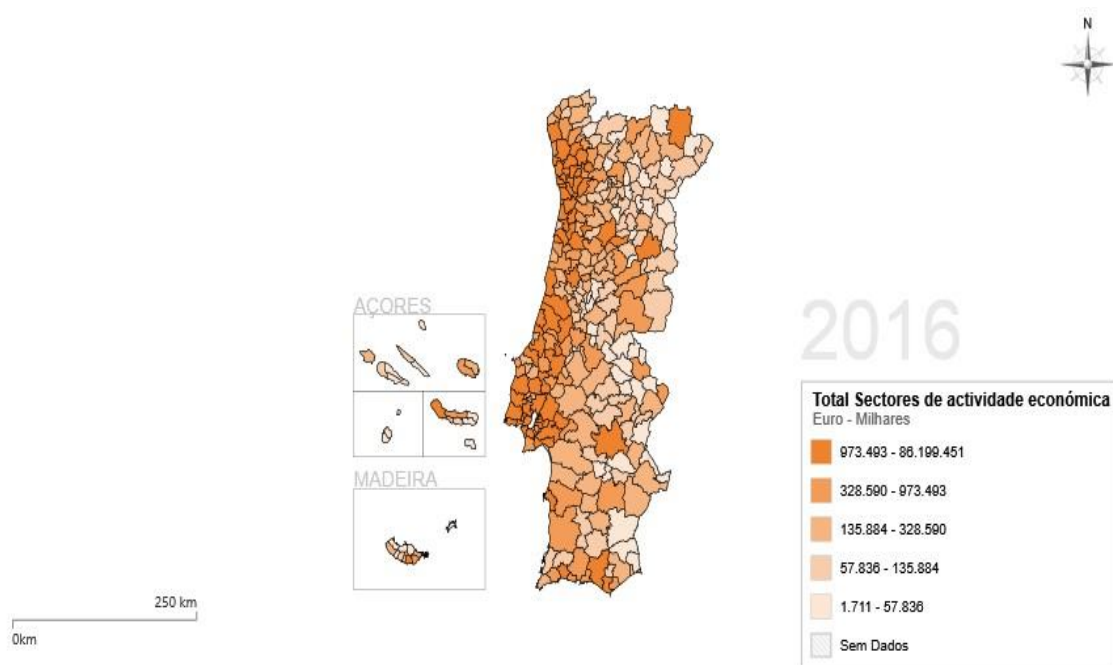
Figure 7 – Economic activity generated by non-financial companies in thousands of Euros and by NUTS III of Portugal. Source: PorData

So, this is an important fact to understand that family businesses, due to their diversity are also influenced by the external environment that surrounds their activity. Geographically speaking, family businesses are no different from the remaining companies. They follow a similar distribution as the overall companies in Portugal. Of course that this is just a sample of 464 family businesses, so this conclusion only applies for the universe of AEF. What is possible to conclude is that AEF's strategy intends to cover – as best as they can – a set of associates able to represent the whole country and a representative sample of the Portuguese firm's field. The more inclusive and representative they are of the national firm's panorama, more significance they have and more relevance and awareness is given to their initiatives. The fact that AEF is located in Lisbon might also have influence. On one side, it will have a positive influence in capturing firms near Lisbon area, on the other side companies that operate far from the capital might not be easy to reach and capture as associates. By reading what has been said, it gets difficult to make a judgement about the origins of the companies in study. Any conclusion would perhaps be biased towards the Lisbon area and the national demographics. In addition this study has a significant presence of holding companies that would have some distortion effect. They have under their level several companies that

might operate and locate elsewhere. Despite these concerns, AEF universe is distributed across Portugal, and that is a fact corroborated by the data.

Another important way to look at the data available is from the performance point of view. By analyzing the net profit generated by the companies in the study, the following graphics were produced:
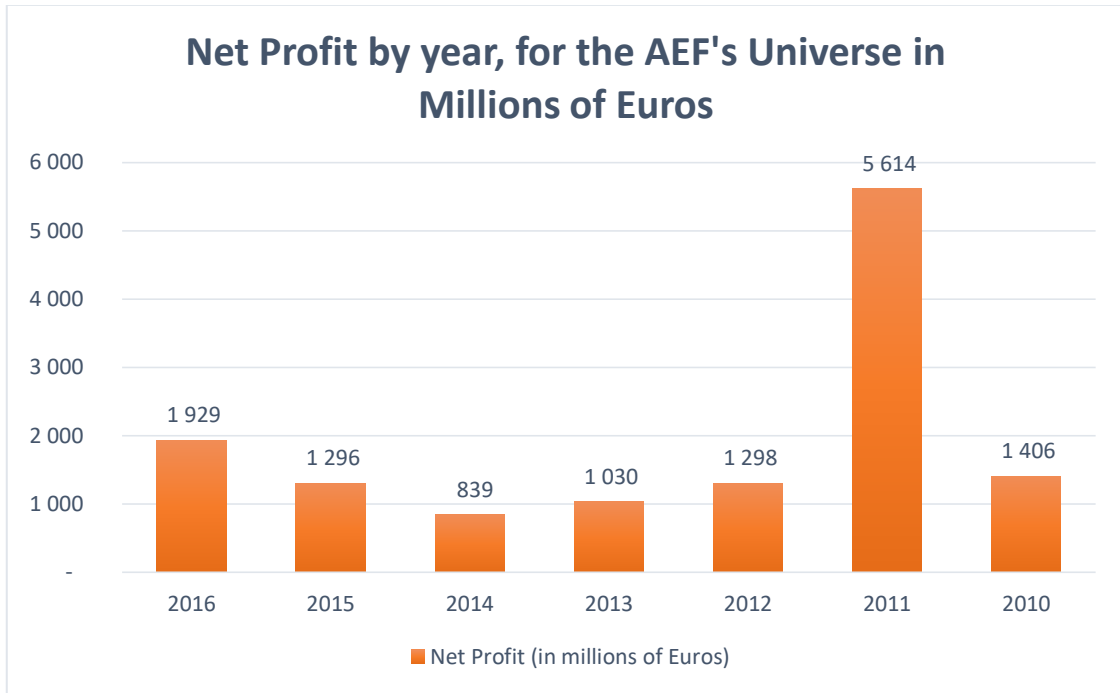

Figure 8 - Net profit by year, for the AEF's Universe in millions of Euros.

Note: In the Figure 8, the value of 2011 is due to an extreme value of 4.226 million euros generated by Sociedade Francisco Manuel Dos Santos, Sgps.
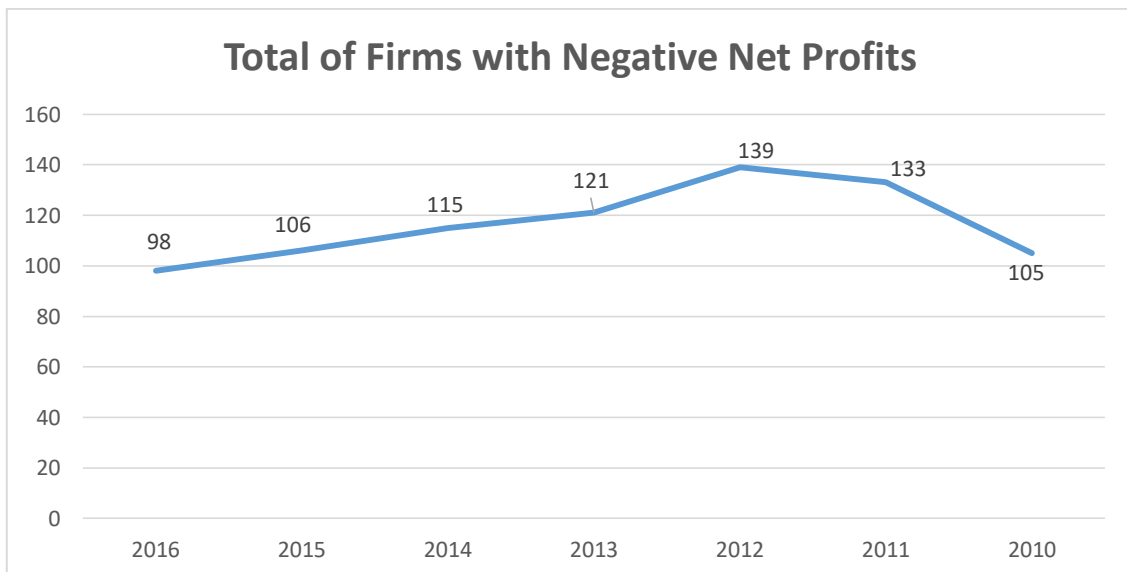

Figure 9 – Total number of firms in study with negative net profits by year.

One thing that is possible to see is that in all years in study, the net profit was positive and - with the exception of 2014 - it was always above 1000 million euros in total. The last year's performance is near the mark of 2000 million euros – Figure 8. As for the number of firms with negative net profits, it is possible to see that year after year the number has been decreasing. If the information of both graphics merged it would be possible to see that they move in opposite directions for the past three years. This means that more companies have more positive net profits despite that every year the sample is growing due to the addition of more associates. This contributes to a larger number of net profits when combining all the samples for the years. The results, globally, express a good performance of the majority of these firms.

3.2.   Macroeconomical Analysis

This is the core topic of this document. Until now the whole document has been focused in preparing the reader for being as much informed and contextualized as possible. In this part, the main conclusions of the study will be presented having in mind the goals of the study. It is important to highlight that, this analysis aims to understand the impact that AEF's associates have in a national level, focusing in the economic perspective. More than a picture of what AEF's associates can represent in national economy, they can be seen as a sample of family firms. In this topic will be presented the impact of this set of firms in the Portuguese economy. The information collected tries to give an answer to the goal of finding the relevance of the AEF Universe in the Portuguese economy. To do so, there is information from 2010 to 2016 for three indicators. The indicators collected were the ones that were more significant to build a picture of their impact in the economy with the information available. Therefore, the data represented in this topic will provide numbers that express the contribution for the national GDP that is generated by the AEF's Universe, the contribution for the national IRC and the contribution for the total of personnel expenditures in Portugal. Those indicators will provide a notion of the impact of this set of 464 firms in the national economy, by touching in three areas: tax revenue, domestic product and salaries paid nationwide.

Taxes are one of the ways a country has to fund itself. Taxes can be organized in two big groups: direct and indirect taxes. In this study, the focus will be in the indirect taxes since one of the most important taxes that are directly connected to companies is the IRC – which is a direct tax. In the case of the Portuguese tax revenue, the IRC and IRS are the two most significant taxes among the direct ones. In the graphic below it is possible to see that the contribution of IRC to the direct taxes represents in 2016 approximately 29,5% of the total direct taxes revenue. This percentage expressed in absolute values represents a revenue of approximately 5.230 million euros from a total of 17.748 million euros of total direct taxes revenue for 2016 in Portugal.
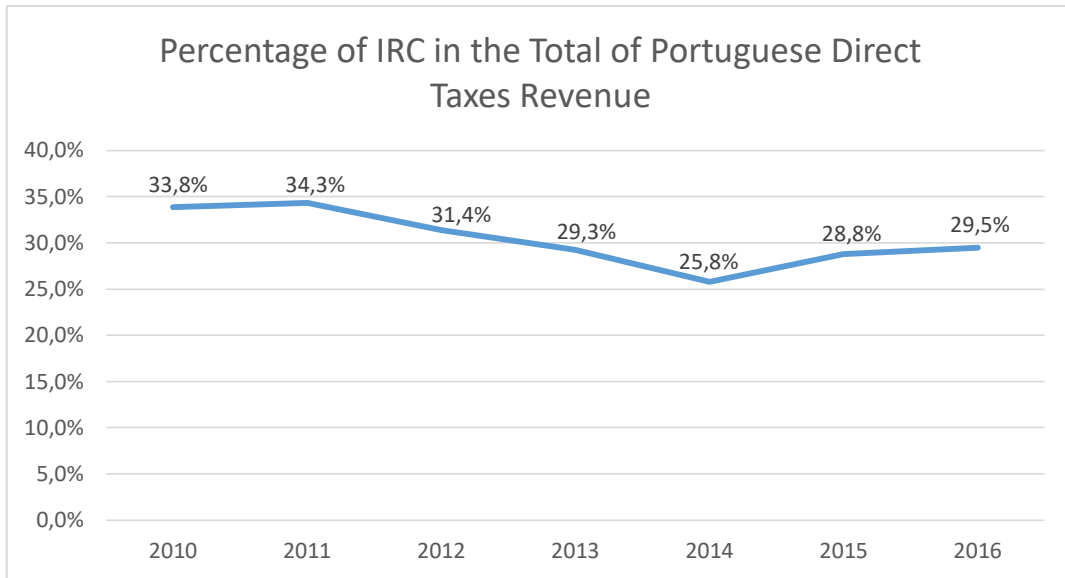
Figure 10 – Percentage of IRC in the total of Portuguese direct taxes revenue by year.

These results demonstrate how much companies are contributing to the country revenues via direct taxes. However, now it gets important to know how much does our set of firms in the study contributes for the total of the IRC revenue of each year. The next graph will provide that information.
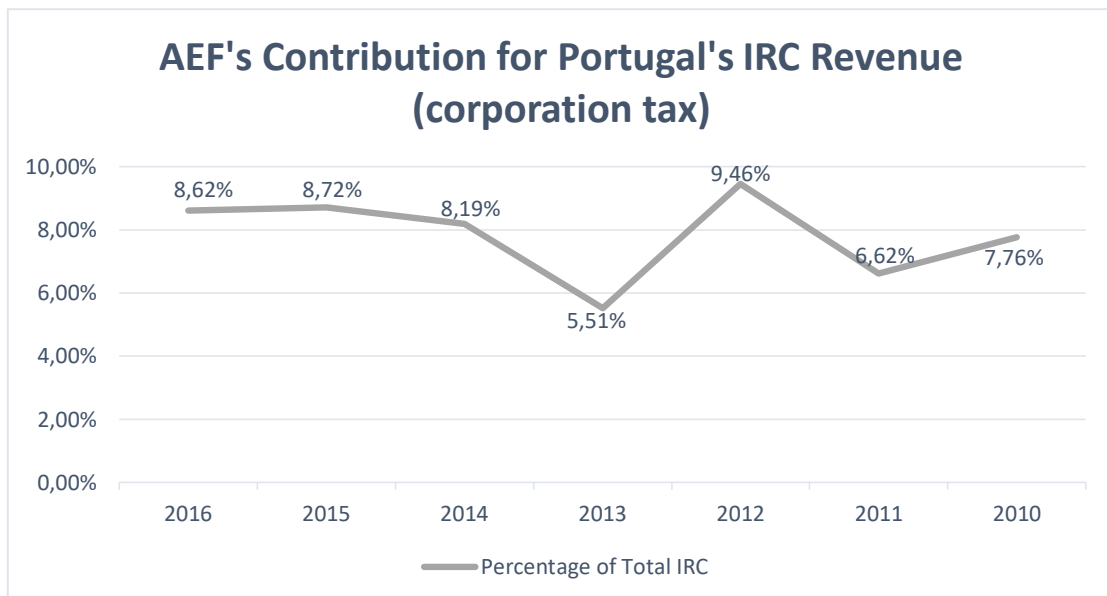

Figure 11 – AEF's Contribution for Portugal's IRC Revenue (corporation tax) by year.

As the Figure 11 demonstrates, in the last 3 years, AEF's Universe has been representing more than 8% of the total IRC revenue collected by the Portuguese government. Those numbers are very significant and make possible to infer how significant this association might be. In addition, this symbolizes that a small set of Portuguese family firms have a significant impact in the taxes collected in Portugal. Such dimension can be an argument for public entities to look with more attention to the work and activities developed by this firms but also by the association. If only by looking for this subset of family firms we can see an impact like that in the government tax revenues, than the whole universe of family firms might be even more significant.

In the following analysis a new dimension will be considered. The goal is to address a measure that allows to have an idea of the portion of the salaries paid in Portugal that are paid from the set of companies in study. Since the amount of salaries payed was not an available value for the study, another metric had to be used. The one chosen was the personnel expenses. Personnel expenses are the value of expenditures related to personnel including wages, benefits, trainings, and payroll taxes incurred by the organization during the reporting period (IRIS, 2016). This is one of the macroeconomical factors that where possible to create and analyze in the context of this study. The graphic below, helps to understand how much of the total national personnel expenditures came from AEF's Universe.
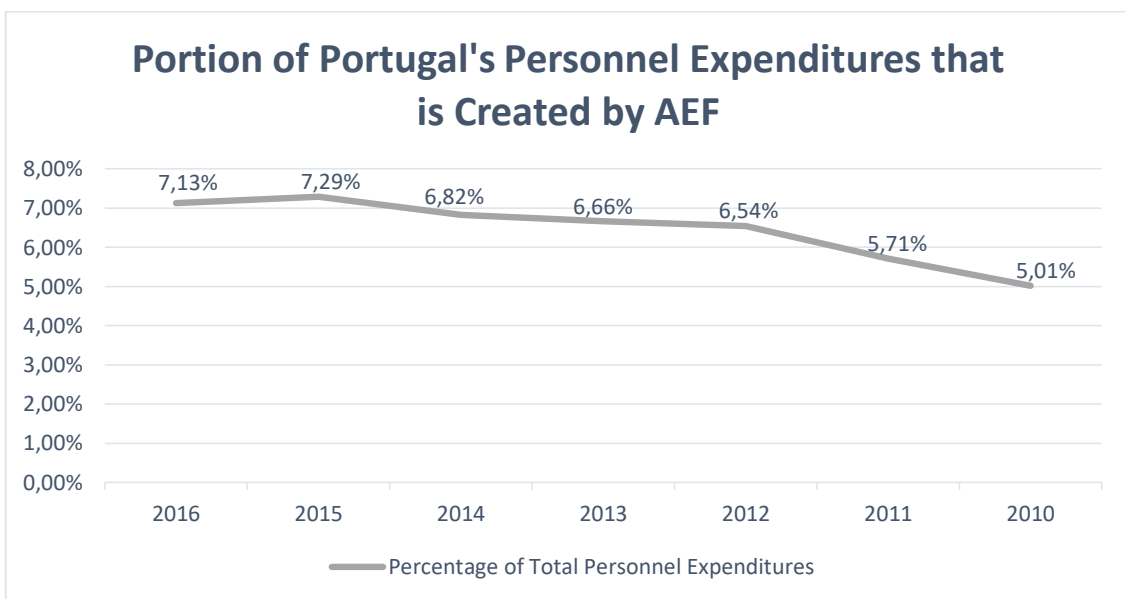

Figure 12 – Portion of Portugal's personnel expenditures in percentage that is created by AEF and by year.

In fact the numbers are very significant, and keep rising year after year. It is possible to conclude that in 2016, 7,13% of all the personnel expenditures in Portugal, belonged to AEF's Universe.

The main indicator of this study is the one in figure that can be seen bellow. The GDP is one of the most important measures to evaluate a nations overall economic activity. It provides a value to everything that is produced in the country. The contribution the companies in the study had in the national GDP is the following:
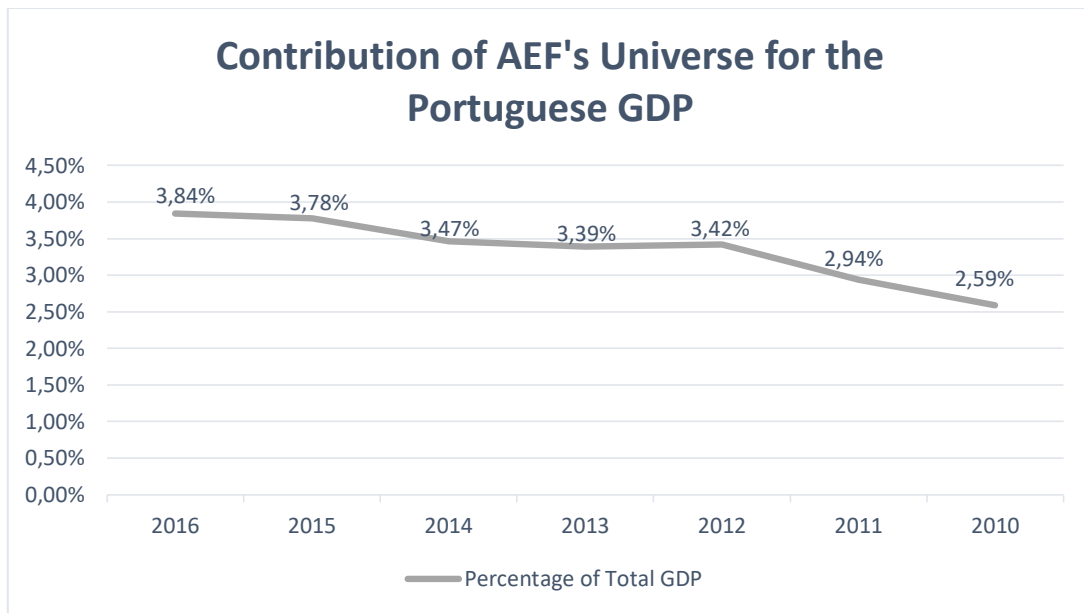

Figure 13 – Percentual contribution of AEF's Universe for the National GDP.

The results are quite impressive, approximately 3,8% of Portugal's GDP can be addressed to the 464 companies in the study. This symbolizes roughly 7,16 billion euros. Such numbers are a clear indicator that the AEF is an important part of the national economy and can, in the near future, be the main voice of family firms in Portugal. The trend of the last years prove that, if it maintains for the following years, then the last sentence might be a verified fact. More important than this is that family firms are key in the economy and might represent a large portion of the national GDP.

4. Conclusions

The set of quantitative indicators in the last chapter proved that family firms are not medium or small enterprises, nor even small in the numbers they represent in the national panorama. They seem to be a significant part of the Portuguese economy and understanding them turns out to be very important in order to address them in a better way. Misjudging family firms is a mistake that Portugal cannot afford to make. If we extrapolate the results obtained in this study to the national context and what the study left out – in terms of companies that fit in the category of family firms – than the results would be much bigger and significant. However, family firms should start to be seen more often as a separated category rather than included blindly in other groups or clusters. The association itself should be considered as a key player in future approaches to these subjects. As previously demonstrated, AEF has been for the last years very successful in approaching and gathering associates. They have been doing more than just collecting associates, they have been a generator of businesses and synergies among them. In fact, when this study began the associations name was Portuguese association of family firms, now the name is just Family firms association. That's because they have now a significant number of foreign associates – which were not considered in the study. By gathering foreign associates, AEF is opening doors for internationalization and exports for the Portuguese family firms. This is an important characteristic to be analyzed and measured in future studies. Organizations like AEF can and should be carefully analyzed specially in Portugal because they have 3.8% of the national GDP condensed in one place and are opening windows beyond frontiers for them. This kind of interactions might potentially increase that number in the future, and obviously that all the remaining numbers as well.

But the comprehension of such firms can also be seen with the intension of helping them to improve themselves and overcome some of the challenges previously described. The capture of talent is one issue that might be easily addressed with deeper knowledge, investigation and/or with policies or programs in articulation with associations like AEF or at a governmental level. Innovation is also an important factor to address. Not only with firm's performance in mind but also the development of the national economy and overall sector competitiveness. Being able to capture talent and innovation is – in my personal opinion – one of the best wishes for companies to have in an economy. First of all because it is a commitment to investment in quality human capital which opens doors

for highly qualified jobs reducing the loss of talent and educational investment of the country for foreign economies. Second, it is a sign that companies are motivated, aware of the current technologies and methodologies and conscious about the need be more ready than ever to embrace change. Such ambitions and results demonstrate that the "*momentum*" is there for family firms. The results obtained by this study are a reflection of the great work that has been developed by these firms and families over the past years. However, if family firms can overcome some of the challenges pointed out across the study and explore some of the suggestions here expressed, the future can be even better. The bases for an exponential growth are already there, however with more support from the academical community, governmental attention and the consolidation of synergies among the family firms field, the future could bring results that would benefit the country. And with the results exhibited in this study it is possible now to start to have numbers that might give an insight about the impact that one slight improvement in the field of family firms might have in the Portuguese economy.

5. Limitations

The lack of accurate and updated statistics towards the field of family businesses, clearly limited the precision in defining and quantifying the size, contributions and relevance that they have across the world economy. The estimations on section 1.3 give tremendous emphasis to this field in modern economy, still the scarce production of statistics persists. In the author's opinion, a more commonly released statistic on the field's size and impact across regions, would give a more accurate and updated picture. This would allow the surveillance of the current state of the field in quantitative terms. The data collected for the study demonstrated some missing values due to nonexistent data for some given companies, variables or years. For instance the variable "Number of employees" had to be removed due to lack of information, especially in companies or groups with consolidated statements, where often its dimension is very significant. Also, later years in the study's time spawn demonstrate more missing data than the ones near 2016. A more complete data file would allow a more significant year by year comparison and analysis of the evolution of this companies.

The difficulty of crossing AEF's internal data with the ones in the BvD's databases make difficult for instance to produce a study where old associates and current ones where together or track companies that were merged into others or simply dissolved. Other challenge imposed by data collection was the complexity of tracking groups or companies that have branches or are headquartered in countries outside Portugal.

However, this set of limitations are hard to overcome since some data and information companies are not willing or obliged to provide. It is also hard to get information on how much companies are family business. First, because there is no such variable indicator or consolidated information about that. Being a family business is not a recognized type of legal form. Second, even if such information could be produced, there is no guarantee that we could retrieve all the variables needed to fit the criteria in the definition of family business. Such limitations are hard to overcome in the near future. Only a generalized effort or a possible implementation of reporting extra mandatory information for statistical purposes could help investigators to recognize the truth dimension of the field. In order for family business research to start producing exponential gains, the recognition of the truth national universe of family firms is needed. After a base of common analysis

is established the researchers can start to work on the data and leverage the knowledge about this subject. It is based on such knowledge that new policies or approaches can be applied in order to address some of the issues and suggestions already debated in this study. For instance, associations like AEF can improve or remodel their processes as business generator. A cluster analysis, for example, would be a great starting point or a segmentation by sectors since it would help to unveil sectors that are strongly composed by family firms. The fundamental question here, is the possibility to start to see a new perspective about the firms and economy. Since companies are nothing less than a group of people, it would be at least advisable, to analyze them by the way they are organized and the socio-cultural aspects inherent to them. Companies are living organisms raised by their founders and educated by their leaders, after all trying to understand companies is not so different as to understand people.

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7.   Annex

Countries	% of Workforce
Mexico	90
Brazil	85
Dominican Republic	80
Philippines	76
Peru	75
United Kingdom	70
Malaysia	67.2
India	66
Spain & China	65
France, Portugal, El Salvador, Colombia, Costa Rica & Chile	60
USA	57
Belgium & Germany	55
Netherlands	53
Equador	51
Uruguay, Venezuela & Singapore	50

Table 4 – Percentage of Family Firms Contributions to National GDP over 50%, by countries. Source: https://www.ffi.org/page/globaldatapoints, in 02/07/2018
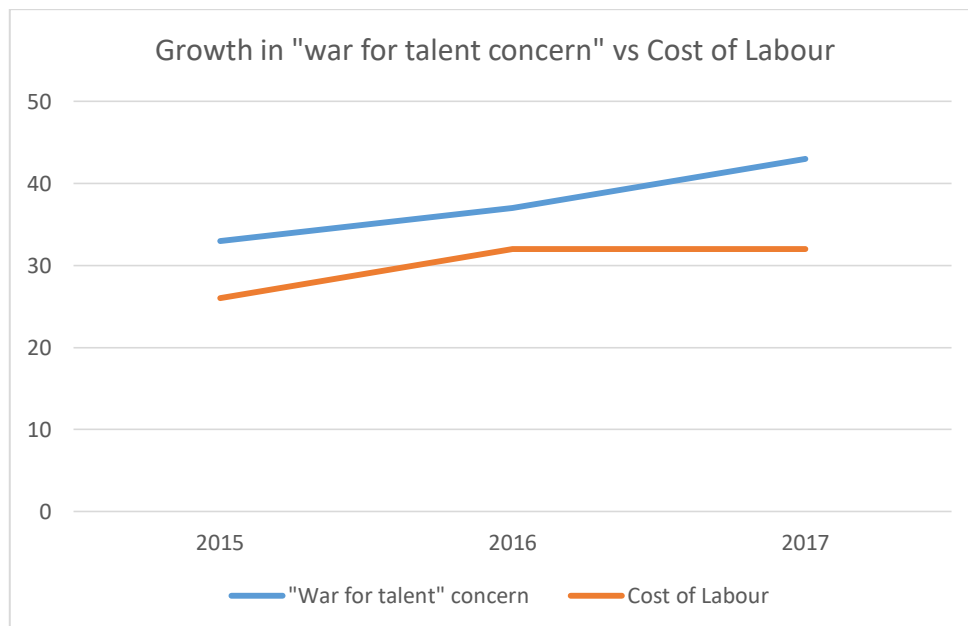

Figure 14 – Growth in "war for talent concern" vs Cost of Labour. Source: KPMG's European Family Business Barometer (2017)

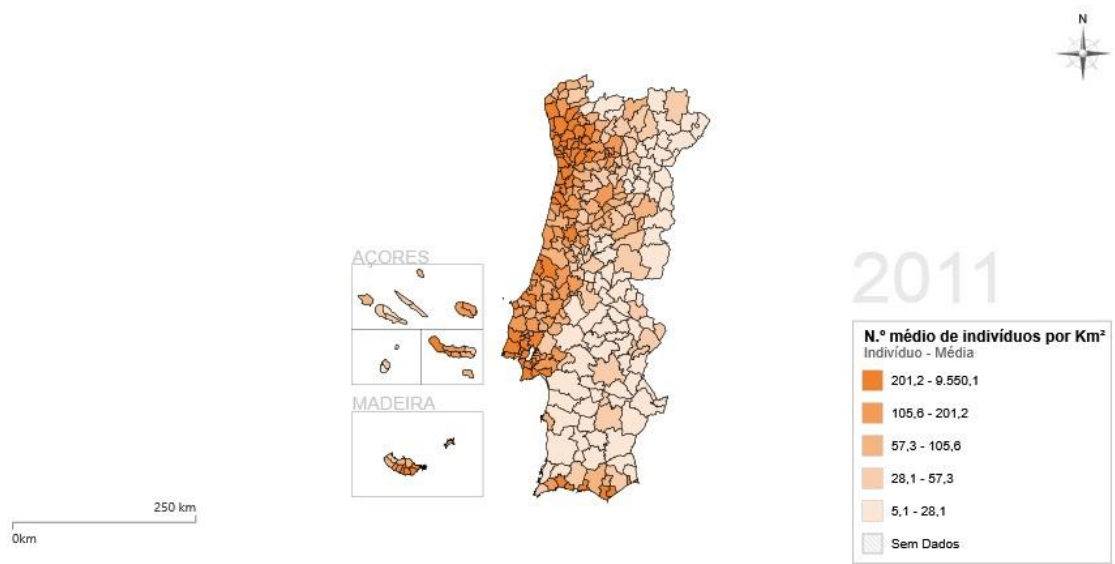Figure 15 – Number of individuals per Km^2 by Portugal's municipalities. Source: Pordata