

# Family businesses in the new working environment

**Challenges, barriers, and  
ways to develop talent**

**ie**  
UNIVERSITY

CENTER FOR  
FAMILIES IN  
BUSINESS

**EY**  
INSIGHTS



March 2024

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## INSIGHTS

Report edited and published by the EY Insights team.

**Ignacio García López**  
Director, EY Insights

**Pablo García-Rubio**  
Specialist, EY Insights

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[eyinsights.spain@es.ey.com](mailto:eyinsights.spain@es.ey.com)

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# Talent is more important than ever



**Jaime Sol**

Partner, People Advisory Services, EY Tax

Talent is more important than ever in our complex, changing and fast-paced working environment. Since the “battle for talent” concept became popular years ago, companies have strived to attract the best people to help them grow successfully. However, it is arguably today that employees’ skills have taken on even greater importance given the current climate of uncertainty, technological change and, above all, new employee mindsets.

Today, employees no longer “ask for” more flexibility, better salaries, and new opportunities. They demand them. This is nothing new, except that employees now have a different mindset and approach their working relationships from a fresh perspective. Nowadays, they are willing to change, resign or simply leave their jobs, which contrasts sharply with the situation just a few years ago.

Competition to attract, retain and nurture talent is on the rise, with companies sparing no resources to find people to help them improve their competitive advantage. In this context, **family businesses cannot remain indifferent** to a process of change that they need to embrace quickly. In fact, organizations that are unable to move with the times will be displaced by those that succeed in recruiting the best staff.

We have conducted this study in partnership with the IE Foundation through the *Center for Families in Business* to analyze exactly where family firms are in the race to attract the best talent. We believe it is worth analyzing the strengths and pitfalls that companies may come across when it comes to hiring the best people. However, above all, we believe that together we can share our reflections to promote best practices in talent management as a key element of our business fabric.



# Are family businesses harnessing their full potential to attract the best talent?



**David Ruiz-Roso**

Lead Partner, EY Family Business

Family businesses are characterized by their “longevity” and “resilience,” among other things. This is their ability to continue producing goods or providing services over decades, to continue growing profitably and sustainably adding value. This differential value lies precisely in its “family” nature and in its capacity to forge links between the employees working in their organizations.

All family businesses are unique and have their own history, but they tend to coincide in being able to navigate through different periods, stages and territories while remaining true to their principles. In other words, successful family businesses are those that know how to move with the times and take advantage of favorable tailwinds without deviating from their course. They are committed to innovation, to conquering new markets and to taking risks when others hesitate to do so.

In an increasingly difficult business context, where talent is more important than ever, we ask ourselves how family businesses are playing their cards right now. Our aim was to find out how companies where human capital is especially relevant, both in terms of governance and operations, are adapting to the battle for the best human resources.

The results of this research, carried out in conjunction with the IE Foundation through the **Center for Families in Business**, are enlightening and, above all, “galvanizing.” The general conclusion is that family businesses have resources, strengths and capabilities that put them in a privileged position compared to non-family businesses. However, in such a fast-paced environment, these advantages are not always clearly perceived by their employees, which reduces the pulling power of these organizations to attract and retain the best people.

From reading the report, it is clear that there **is a need to move forward and to foster a new talent culture in family businesses**. Accordingly, we have put forward a series of recommendations and steps that will help companies to identify their strengths, reflect on how they can adapt and, in short, strengthen their competitive advantage in the tough battle to attract the best talent.

# Family businesses have the resources to lead the race for talent



**Cristina Cruz**

Professor, IE University  
Director, IE Center for  
Families in Business

We are delighted to release this study, conducted in partnership with EY, which addresses the opportunities and challenges for family businesses in today's working environment. The report dovetails perfectly with the IE Center for Families in Business' philosophy of generating cutting-edge knowledge that is practical and useful for entrepreneurial families.

The report goes beyond simply providing hard facts about the idiosyncrasies of how family businesses manage talent. It seeks to forge a constructive dialogue among business leaders, academics, and human resource specialists on how to build strategies to effectively attract and retain talent in family businesses. The deployment of these approaches is critical to the progress and well-being of Spanish society, given the leading role of family businesses as the main source of private employment in Spain, which is a reality that often goes unnoticed.



**Rocío Bonet**

Associate Professor,  
Human Resources and  
Organizational Behavior,  
IE University

In today's business environment, where people are the driving force behind success, family businesses excel as unique working environments that combine professional relationships with the history, vision, and values of their founders. This report reveals the challenges facing family businesses in showcasing their advantages as employers, while meeting the aspirations of employees in the new workplace. It is vital for family businesses to demonstrate a clear corporate purpose and encourage a greater sense of belonging to the organization without neglecting new employee demands, such as greater flexibility at work, alongside more traditional concerns, such as competitive salaries.

Numerous research studies conducted by the IE Center for Families in Business have documented the ability of family firms to adapt to changing environments, given their strong sense of legacy and long-term vision. We are therefore convinced that they will be able to deal with these challenges successfully and emerge as a stronger force to be reckoned with in the battle for talent. The study puts forward a series of recommendations in the form of a ten-point checklist, which we hope will serve as a guide for family businesses and for all stakeholders interested in making companies more competitive when it comes to attracting and retaining talent and having more motivated and committed employees.





# Authors ↗



## Cristina Cruz

Professor, IE University  
Director, IE Center for Families in Business

**Cristina Cruz** is a Professor of Entrepreneurship and is the Academic Director of the IE Center for Families in Business. She also holds a PhD in Economics from Carlos III University.

Her research focuses on understanding the decision-making process in family businesses and entrepreneurial families. Her work on corporate governance, philosophy, and entrepreneurship in these types of companies has been published in leading academic management journals.

She has received several national and international awards for her research publications and has been named Associate Editor of *Family Business Review*.

As the Director of the IE Center for Families in Business, she leads numerous applied research projects in collaboration with other organizations, through which she seeks to help business families overcome their greatest challenge: creating value that lasts over generations.



## Rocío Bonet

Professor, Human Resources and Organizational Behavior, IE University

**Rocío Bonet** holds a PhD in Management from the University of Pennsylvania and a master's degree in Economics, Finance and Management from Universität Pompeu Fabra. She is currently a full professor of human resources and organizational behavior at IE University. She is also the Director of the DIV-IE Chair on employee health and well-being, focused on building knowledge about how organizations influence employee health.

Her research lies at the intersection of strategic human resources and labor economics, with an emphasis on understanding how recent transformations in the labor market affect individuals and organizations. Her research has been published in prestigious international journals such as *Organization Science*, *Academy of Management Journal* and *Strategic Management Journal*. Rocío teaches courses related to leading people and change at graduate level and she is the academic director of the DBA program at IE Business School.





CENTER FOR  
FAMILIES IN  
BUSINESS

IE Center for Families in Business is the IE Foundation's strategic initiative and IE University's unique approach to add value to family business owners. The Center is made up of a team of international academics and experts who perform cutting-edge research from a multidisciplinary perspective. Its overarching mission is to generate innovative knowledge and become an international benchmark, built on practical experience, for the benefit of its family business partners, the IE community and society as a whole.

Through our research and our prestigious training programs, we prioritize the development and dissemination of the distinctive aspects of business families and their essence as institutions of trust, highlighting their contribution to society. On the basis of this uniqueness, we conduct research to help family business owners overcome the three main challenges they face: growth, cohesion and generational transition.

For further information:

**IE Center for Families in Business**

<https://familiesinbusiness.ie.edu/>

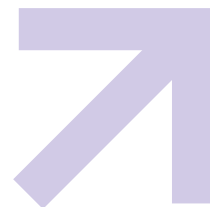


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# Executive summary

The study analyzes the strengths and challenges of the idiosyncratic employment relationship of Spanish family businesses in today's working environment.

**The main features of the current labor market in Spain were defined through conversations with experts from leading talent management companies.**

- ▶ **New employee demands** center on job flexibility, a clear corporate purpose and nurturing employee well-being.
- ▶ **Traditional demands are still relevant; competitive salaries are essential to attract talent.**
- ▶ **Employees have greater bargaining power**, due to population shifts, a shortage of talent (especially in certain positions) and greater market transparency.

The analysis of the information gathered via a survey of 500 employees in Spanish companies yielded the following results:



- 1 — The main reasons employees cited for leaving their job in Spanish companies were (in order of importance) as follows: dissatisfaction with salary, lack of career opportunities and lack of flexibility.
- 2 — The main reasons for staying in a job were (in order of importance): job stability, flexibility, and a positive working environment.
- 3 — The importance and order of priority of these factors was the same for both family and non-family businesses. However, we found major differences between the two:

**3.1.** A model that predicted employees' attrition rate found that:

**Dissatisfaction with salary was a more important factor for leaving a job in family businesses.** When employees went from receiving a salary at the 10th percentile to a salary at the 90th percentile, their intentions to leave the company decreased by 11% in non-family businesses, and by 24% in family businesses.

Although family businesses offered less job flexibility (53% of employees were allowed to telework compared to 83% in non-family businesses; 56% of employees in family businesses had flexible working hours compared to 80% in non-family businesses), and employees working in them felt that their working environment was less conducive to a good work-life balance, **this lack of flexibility had less influence on employees' intentions to quit than in non-family businesses:**

When employees went from not being able to telework to being given this option, their intention to leave dropped by 15% in non-family businesses, yet this had no effect in family businesses.

Transitioning from a working environment that was not conducive to a good work-life balance to one that was very receptive brought a 34% reduction in the intention to quit in non-family businesses and a 23% reduction in family businesses.

**3.2.** Employees in family businesses were less likely to leave their job for non-economic reasons: 8% of employees who intended to leave a non-family business cited the non-alignment of personal values with those of the company as the main reason for leaving, compared to 5% in family businesses.

**3.3.** The job stability offered by family businesses was a key retention factor: 26% of employees in family businesses cited job stability as the main reason for staying in the company, compared to 21% in non-family businesses.

- 4 — These differences revealed two sides of the idiosyncratic employment relationship in family businesses. On the one hand, their employees are more committed to the company (commitment was 5% higher in family businesses) but they face greater challenges in retaining talent (the attrition rate was 8% higher in family businesses).

**We used this data and interviews with human resource directors from leading family businesses in Spain to identify the advantages and challenges linked to the idiosyncrasies of family businesses to help them tackle the new demands of today's working environment.**

## They are in a better position to...

- 1 Provide a clear corporate purpose.
- 2 Offer job stability.
- 3 Offer job flexibility to suit the needs of each employee.
- 4 Create a sense of belonging among employees.
- 5 Promote proactivity among employees.

## But face greater challenges in terms of...

- 1 Positioning themselves as employers offering competitive salaries.
- 2 Providing opportunities for career advancement.
- 3 A good work-life balance.
- 4 Implementing teleworking.
- 5 Preventing perceptions of unfairness.

We have put together a ten-point checklist of recommendations to help family businesses leverage their employment strengths by dealing with their challenges.



01



# Introduction



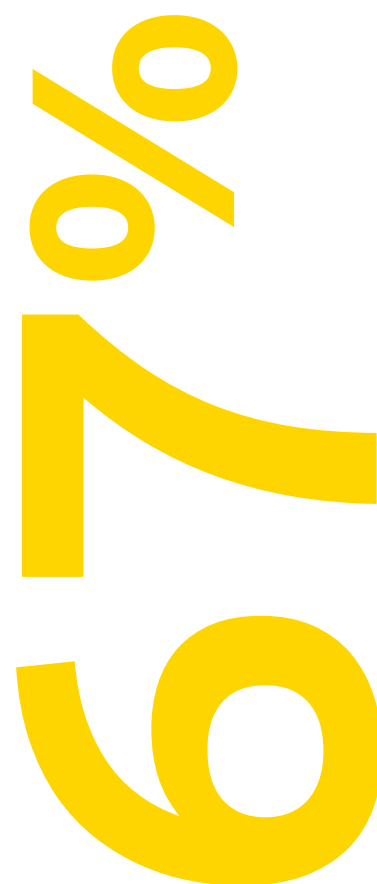


At the close of the 2023 Annual General Meeting of the Instituto de la Empresa Familiar (Spanish Family Business Institute), its President Andrés Sendagorta underscored *“the need for broad political and social consensus to address the extraordinary difficulties faced by family businesses in meeting staffing needs throughout the entire production chain”*<sup>1</sup>. It is vital to help family businesses overcome these difficulties, as these firms are responsible for 67% of private employment in Spain, or in other words, over 6.6 million jobs.<sup>2</sup>

Family businesses are often perceived as a type of organization that attaches great importance to values. In fact, according to the 2022 Edelman Trust Barometer, family-owned businesses are the type of company that people most trust in terms of their ability “to do what is right.”<sup>3</sup> In a context of major changes in the global labor market, where employees increasingly prefer to work for companies that have a clear corporate purpose, **does this heightened trust bring a competitive advantage when it comes to attracting and retaining talent?**

As we will see below, new employee demands have emerged in the new working environment, not only in relation to corporate purpose, but also to job flexibility and a better work-life balance. **Are family businesses responding to these new demands in the right way?**

EY and IE University, through the IE Center for Families in Business and EY Insights, have teamed up to answer these questions and address the challenges and opportunities facing family businesses in today’s working environment. The study was conducted through a survey of 500 employees in Spain and through interviews with human resource directors in leading family businesses and with executives at global staffing companies in Spain.



It is vital to help family businesses overcome these difficulties, as these firms are responsible for 67% of private employment in Spain.

<sup>1</sup> <https://capital.es/2023/06/27/generaciones-empresa-familiar-consejos/>

<sup>2</sup> Instituto de Empresa Familiar. <https://www.iefamiliar.com/la-empresa-familiar/cifras/empleo-y-variables-economicas/>

<sup>3</sup> 67% of the 32,000 respondents surveyed in the study around the world trusted family-owned businesses more, compared to 58% in the case of privately-held businesses. 2022 Edelman Trust Barometer.

02



# Context:

the battle for talent  
in today's working  
environment

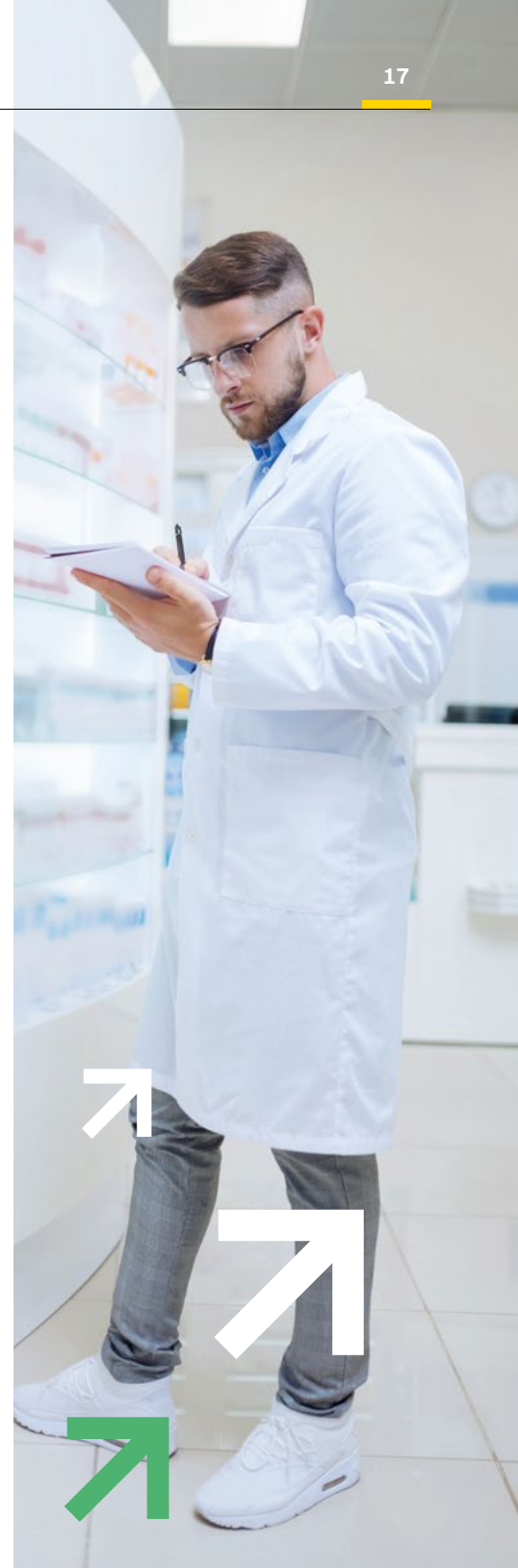


The “future of work” promises to be very different from the model that has functioned in most companies since the 1950s. This new working environment is moving towards shorter employment relationships. As companies no longer provide the stability they used to offer in the past, employees have responded by decreasing their level of commitment to organizations.

New employee demands have emerged in this new context, largely as a result of the impact of the COVID-19 pandemic. **These demands include the need for greater job flexibility, both in terms of teleworking and of working hours that enable a better work-life balance.** A recent study by Randstad<sup>4</sup> revealed that 45% of the 35,000 employees surveyed worldwide would not accept a job if didn't have flexible working hours, and 48% would not accept a job if it prevented them from enjoying their personal life.

In addition to flexibility, the experts from the global staffing companies that participated in this report mentioned that a company's corporate purpose, the alignment of employees' values with those of the company, the importance given to physical and mental well-being, and the chance to continue to grow and learn, have become more important in today's labor market, especially among the younger generations.

<sup>4</sup> Randstad Tendencias, 2023.  
<https://www.randstad.es/tendencias-de-talento/>



They include the need for greater job flexibility, both in terms of teleworking and of working hours that enable a better work-life balance.



*"New needs have emerged, especially a growing demand for flexibility. Employees weigh up what the job can give them, including opportunities within the company for personal and professional growth. New candidates, especially the younger ones, need to feel that they are part of a bigger picture, that they are doing their bit to create something worthwhile. Moreover, nowadays, young people are not ashamed to demand mental well-being and ask companies to take care of them in that sense." ManpowerGroup.*

*"The new generations want companies to provide them with opportunities to develop and expand their skills through continuous learning. This is something they find lacking in many companies. For example, many employees tell us that if the firm gave them a career development plan they would not leave. Young people are also keen to relate their personal values to the values of the company, and that makes the job more attractive. They are increasingly asking whether there are any volunteering projects available." Randstad.*

Experts unanimously agree that, while companies need to address these new demands, they must not forget that a competitive salary is still a necessary condition to be able to discuss the rest.

*"Although the company's corporate purpose and values are important for candidates, we should not underestimate the importance of competitive, fair salary packages. No matter how aligned the candidate's values are with those of the company, the feeling of being valued and rewarded appropriately is critical to their job satisfaction and long-term commitment. In addition to meeting new demands, competitive salaries are an important part of attracting and retaining talent, and especially younger talent." The Adecco Group.*

In addition to these new demands, the advent of new technologies and the impact of artificial intelligence are transforming the employment landscape. Certain skills are becoming obsolete due to advances in technology, and other tools are emerging to optimize processes, thus freeing employees up from performing repetitive tasks. According to a recent report by The Adecco Group<sup>5</sup>, two out of three employees think the impact of artificial intelligence (AI) on their jobs will be positive. Fifty-nine percent expect AI to reduce repetitive tasks and allow them to focus on strategic work, while 54% expect AI will give them access to professions/jobs that were not accessible to them before. A recent ManpowerGroup report coincides with these reflections, and estimates that by 2025 there will be 149 million new digital jobs, in areas such as privacy, cybersecurity, data analytics, machine learning, artificial intelligence, the cloud and software development<sup>6</sup>.

**All of these future-defining shifts in the workplace mean that we have not only changed the way we work, but also how we think about work as a concept.** This has led to businesses around the world facing unprecedented staff turnover rates, coined as the “great resignation,” where employees “vote with their feet,” and look for new jobs if their demands are not met. This high attrition rate is of major concern to businesses, especially against the current backdrop of labor shortages, generated in part by low birth rates in many countries, as well as by a lack of technical skills that are required for new jobs. In fact, according to a recent EY report, 75% of companies around the world report having difficulty filling job vacancies.<sup>7</sup>

<sup>5</sup> Global Workforce of the Future, 2023. [https://www.adeccoinstitute.es/wp-content/uploads/2023/11/GWoF\\_2023\\_Research\\_Deck\\_Adecco\\_Group\\_Launch.pdf](https://www.adeccoinstitute.es/wp-content/uploads/2023/11/GWoF_2023_Research_Deck_Adecco_Group_Launch.pdf)

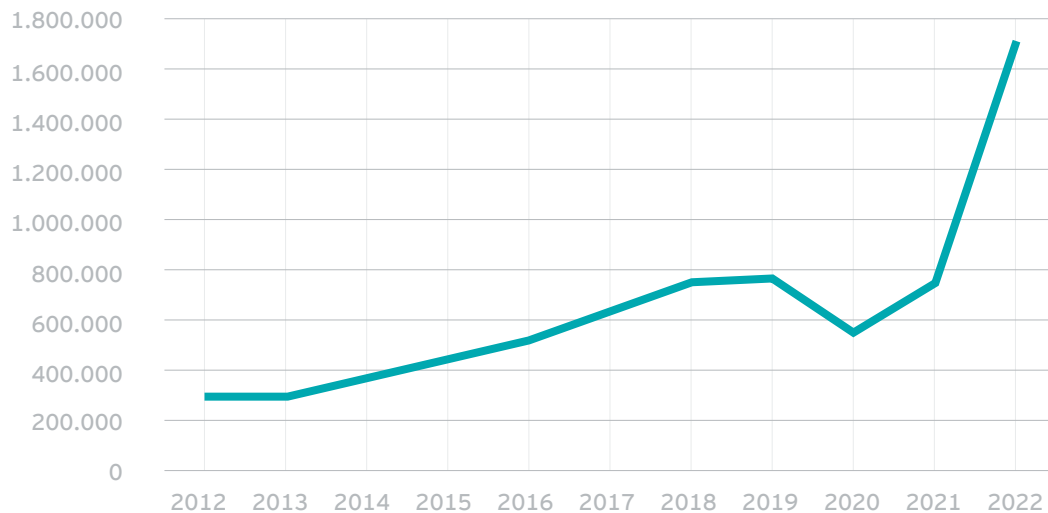
<sup>6</sup> Desajuste de talento. ManpowerGroup, 2023. <https://www.rrhhdigital.com/secciones/talento/156727/La-llegada-de-la-generacion-Z-a-las-empresas-define-el-futuro-del-empleo/>

<sup>7</sup> En clave de personas, EY. 2023. [https://assets.ey.com/content/dam/ey-sites/ey-com/es\\_es/topics/workforce/ey-estudio-enclave-retencion-talento.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/es_es/topics/workforce/ey-estudio-enclave-retencion-talento.pdf)



Spain is no stranger to this global labor market reality. According to data compiled by the Spanish Social Security Treasury (Tesorería General de la Seguridad Social), Spain registered a record number of voluntary resignations in 2022, rising from 545,000 in 2020 to 1,680,000 in 2022 (see Figure 1).

**Figure 1** Increase in the number of resignations in Spain



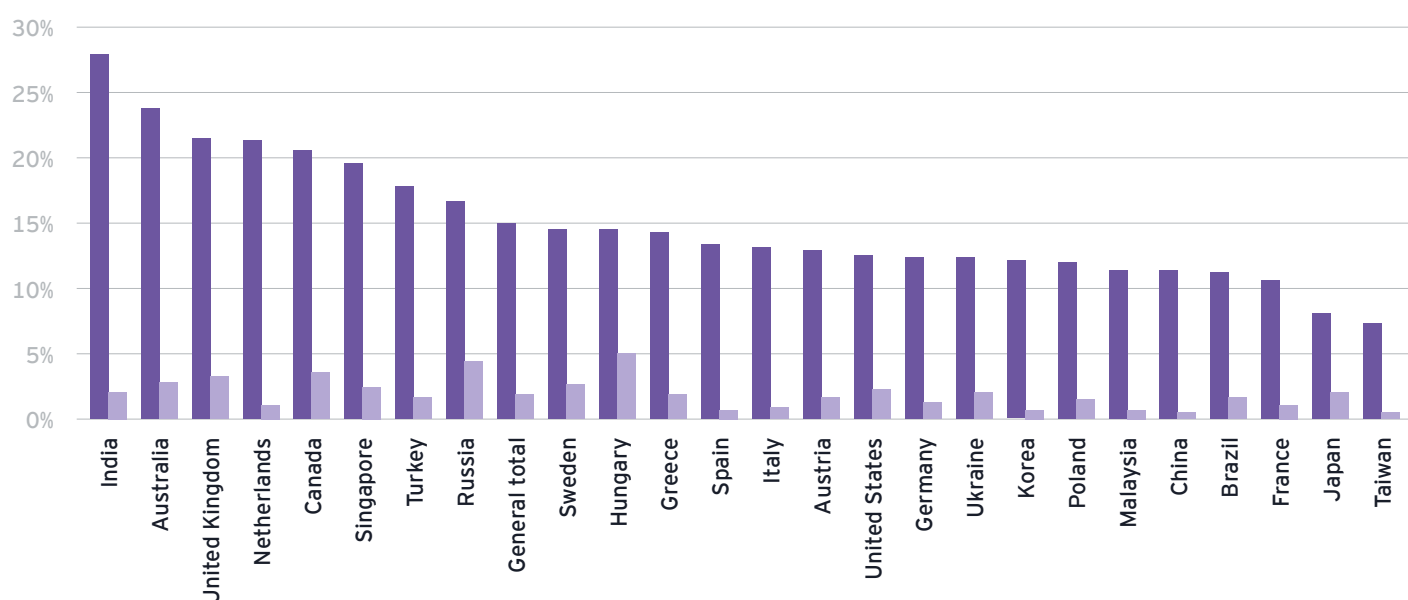
Source: authors' own based on data from the statistics of the Spanish Social Security Treasury (Annual cumulative voluntary resignations per working day).

In addition, according to data collected in a worldwide survey on telework in 2022, 13% of employees in Spain would consider quitting their job or looking for another one if they were asked to return to the office full-time. This percentage is fairly similar to the global average, which stands at 15% (Figure 2).





**Figure 2** Percentage of employees who would consider quitting their job or looking for another one if they were asked to return to the office full-time



Average % looking for another job  
Average % resignations

Source: authors' own based on data taken from Work From Home (WFH) Research, Cevat Aksoy, Jose María Barrero, Nicholas Bloom, Steven J. Davis, Mathias Dolls, and Pablo Zárate.

We are therefore in a working environment where companies are competing to hire talent that yields increasing bargaining power. A recent EY global study on the future of work shows that on average, employees have gained 8% in their perceived power in the labor market since 2019.<sup>8</sup>

According to the experts interviewed, one of the factors behind this gain is the shortage of talent, largely due to the inverted population pyramid and the speed of change in the working environment, including technological advances.

<sup>8</sup> EY 2023 Work Reimagined Survey.  
[https://www.ey.com/en\\_gl/workforce/work-reimagined-survey](https://www.ey.com/en_gl/workforce/work-reimagined-survey)



*"The demand for technology-related talent has gone beyond the boundaries of tech companies and is now required in all industries. Employees have greater perceived power because there is a shortage of technological skills. Businesses need to take a proactive view and assess their future tech talent needs and invest in training and the continuous development of competencies and skills to deal with this shift." The Adecco Group.*

*"There is currently a shortage of talent, and it is here to stay for two main reasons. First, the Spanish population pyramid is being inverted right now. It is wider in the middle than at the top or at the bottom. The replacement rate is falling constantly in Spain. The second reason is the gap between what companies need and the training we are offering." Randstad.*

They also pinpointed the challenge that many companies are coming across, i.e., even when talent exists in the market, it is difficult to attract it with the business conditions that are currently on the table.

*"There is a lot of talk about a shortage of talent, and a lack of people. It certainly does exist, but perhaps the mismatch lies in the difficulty of finding what talent is looking for and what companies can offer at this point in time." ManpowerGroup.*



Another factor highlighted by experts is the cross-cutting nature of certain job profiles, which means that companies compete for talent not only against others in the same industry but also in many other sectors.

*"Before, competing for talent was confined to businesses in the same industry because people didn't really move from one sector to another. Now, as there are fewer barriers and a greater ability to train and reskill people, competition is growing, even in industries that were not traditionally competitive in terms of salary or working conditions."* The Adecco Group.

In addition, the labor market is becoming increasingly transparent and permeable. Job seekers have a wealth of information about companies available to them, thanks largely to the growth of social and professional networks. In this context, it is vital to nurture the company's brand reputation as an employer.

*"In interviews we used to ask the candidate for references and now when the candidate arrives, they already have references about the business. They are familiar with a company's reputation not only because of what the firm says on its social networks, on its website and in the media, but also because of what current and former employees say about it. All this data is often available on the internet and information comes out of our own companies that we can't control, so we have to be very careful."* Randstad.

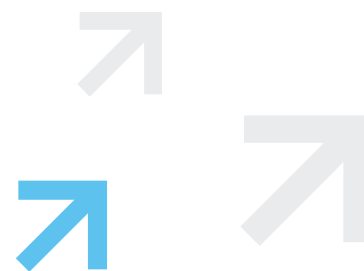
Therefore, a new working reality is emerging where companies that want to attract and retain talent need to offer candidates attractive packages that meet a wide range of professional and personal expectations. Firms that manage to deploy these strategies will win the "battle for talent."

03



# Methodology





## Quantitative analysis

Our quantitative analysis involved a survey of 500 employees in non-public sector companies which had at least 50 members of staff. All respondents had a permanent employment contract and academic qualifications.<sup>9</sup> None of them held senior management positions. All employees surveyed performed tasks that could be done remotely, regardless of whether they were allowed to telework or not.

Employees were asked the following question to ascertain whether they worked in a family firm: *is the company you work in*

*a family business, i.e., a business in which a family controls the company?* The responses to this question showed that 23% of the respondents worked in family businesses and 77% worked in non-family businesses.<sup>10</sup>

Respondents in both types of firms had similar demographic characteristics (gender, age, education, children), suggesting that there was no self-selection bias based on these measurable characteristics as to the type of person included in a family business or non-family business.



## Qualitative analysis

To explore the challenges of family businesses in retaining talent in more detail, we conducted in-depth interviews with human resource directors from 14 family businesses that are leaders in talent management in their respective industries (see appendix for a list of the participating family businesses). In line with the quantitative analysis, there were tasks in all of these companies that could be done remotely by part of the workforce.

We also interviewed leaders from the largest three global staffing companies, The Adecco Group, ManpowerGroup and Randstad, to find out how they viewed the current labor market situation and the key factors in retaining talent in this new environment, as well as their perceptions of the advantages and challenges faced by family businesses versus non-family businesses in the battle for talent.

The complete methodology and appendices are available at the following link:



[https://assets.ey.com/content/dam/ey-sites/ey-com/es\\_es/topics/ey-insights/ey-informacion-talento-empresa-familiar-anexo.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/es_es/topics/ey-insights/ey-informacion-talento-empresa-familiar-anexo.pdf)



<sup>9</sup> Diploma or university degree and/or postgraduate degree.

<sup>10</sup> To check this, we also asked employees to indicate who owned the largest block of shares in their company, giving them four category options: founder, family group, other type of owner, I don't know. The correlation between the two was 93%. The conclusions of the report did not vary using either measure.

04



# Study conclusions

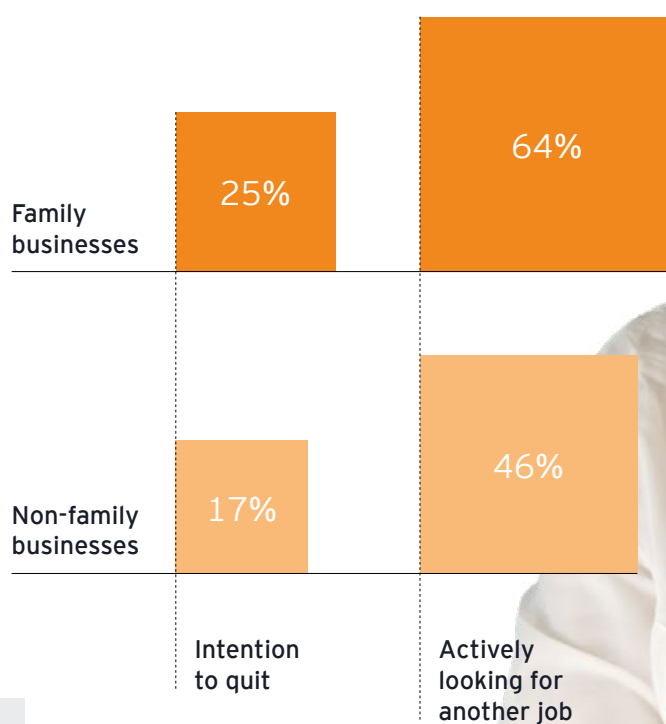


## 4.1.

### Why do Spanish employees quit their jobs?

According to our data, intentions to quit were higher in family businesses than in non-family businesses. Moreover, within the group of employees who intended to quit their jobs, the percentage that reported having actively started to look for a new job<sup>11</sup> was also higher in family businesses.

**Table 1** Intention to quit

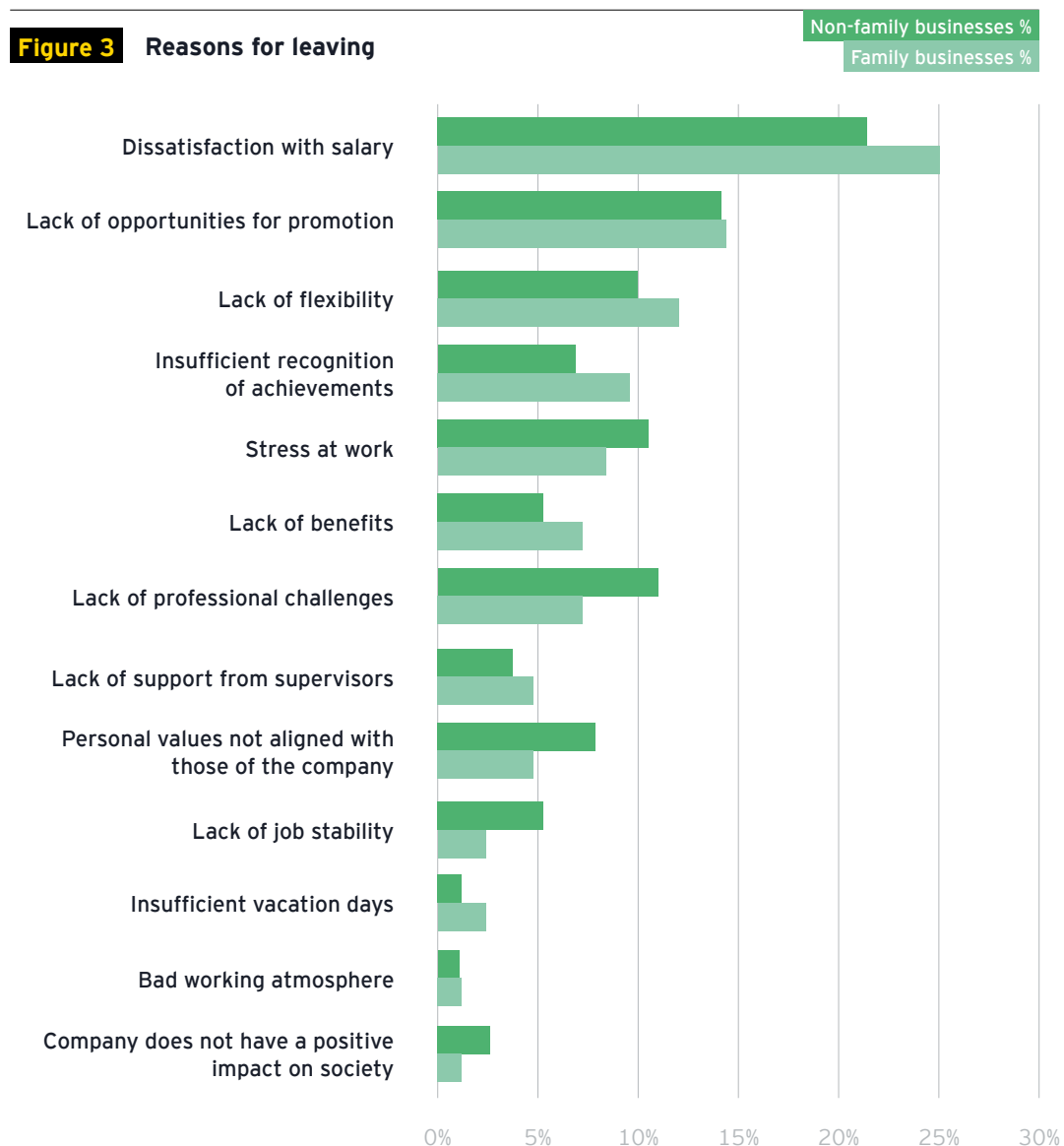


<sup>11</sup> Intention to quit was measured with the question "Are you thinking of changing jobs in the next year?" Those who intended to quit were also asked the following question "Have you actively started looking for a job (checking positions available, sending resumes, having interviews)? to find out whether their intention to quit was genuine or not.

Figure 3 shows that the main factors for quitting in Spanish companies were dissatisfaction with salary, lack of opportunities for promotion and lack of flexibility. The fact that flexibility was among the most cited factors reflects the new labor reality, where employee demands in this area have increased significantly.

The graph also reveals that there were major differences between family-owned and non-family-owned firms:

- ▶ Economic factors (satisfaction with salary and benefits) were more important reasons for quitting a job in family businesses.
- ▶ Non-economic factors (non-alignment of personal values with those of the company, lack of professional challenges and job instability) were less important reasons for quitting in family businesses.
- ▶ A higher percentage of employees in family businesses cited a lack of recognition of their achievements as a reason for leaving.
- ▶ A higher percentage of employees in family businesses mentioned lack of flexibility as a reason for leaving.



Given the growing importance of flexibility in the working environment, understanding the reasons behind the differences in flexibility between family and non-family firms is essential to assist family firms in successfully tackling the challenge of attracting and developing talent. The following sections focus on answering two key questions in this regard:

**Is there a significant difference in terms of the flexibility offered between the two types of firms? Do employees in family firms value flexibility differently than their peers in non-family firms?**

## 4.2. Job flexibility in Spanish family businesses

We compared the flexibility offered by family and non-family businesses by examining three factors: being able to telework, flexible working hours and a working environment that is conducive to a good work-life balance.



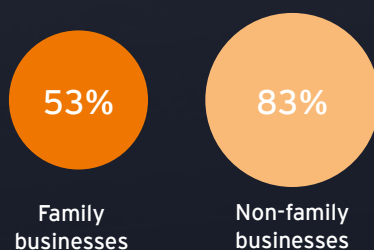
### 1

#### Being able to telework

The number of telework days available was lower in family businesses than in non-family businesses. **Only 53% of employees in family businesses in Spain were allowed to telework, compared to 83% of employees in non-family businesses.**

In addition, while family firms allowed employees to telework an average of one day per week, non-family firms offered an average of three days per week (Figure 4).

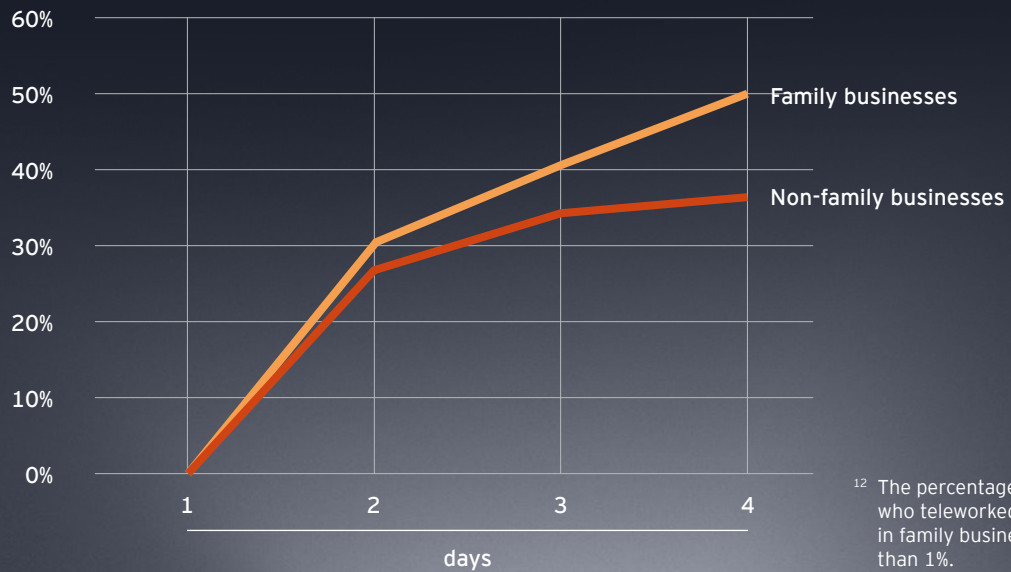
**Figure 4** Availability of telework



Average number of telework days per week						
Family businesses	1	2	3	4	5	1 day
Non-family businesses	1	2	3	4	5	3 days

The survey results also show that employees in family businesses chose to telework less, even when they were allowed to work remotely (Figure 5).

**Figure 5** Percentage of employees who chose to telework less, by number of days they were allowed to work remotely<sup>12</sup>



<sup>12</sup> The percentage of employees who teleworked five days a week in family businesses was less than 1%.





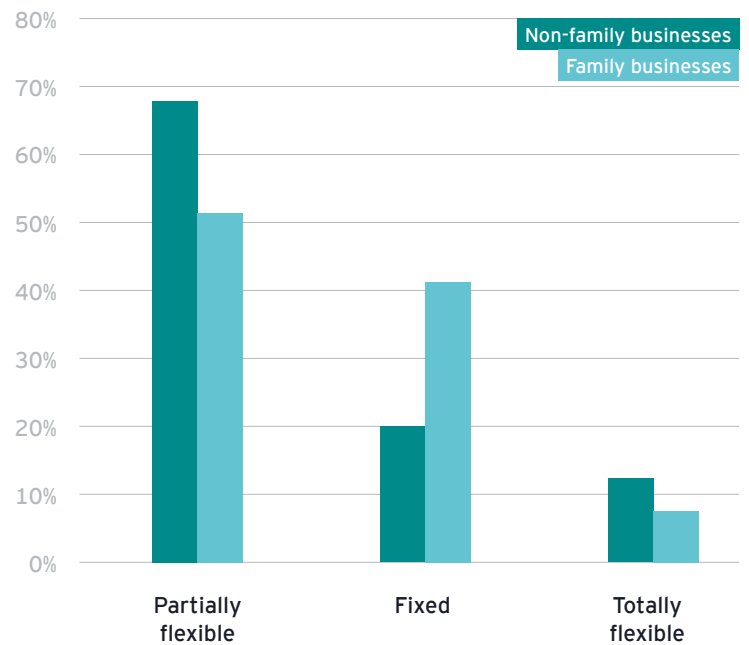
## 2

## Flexible working hours

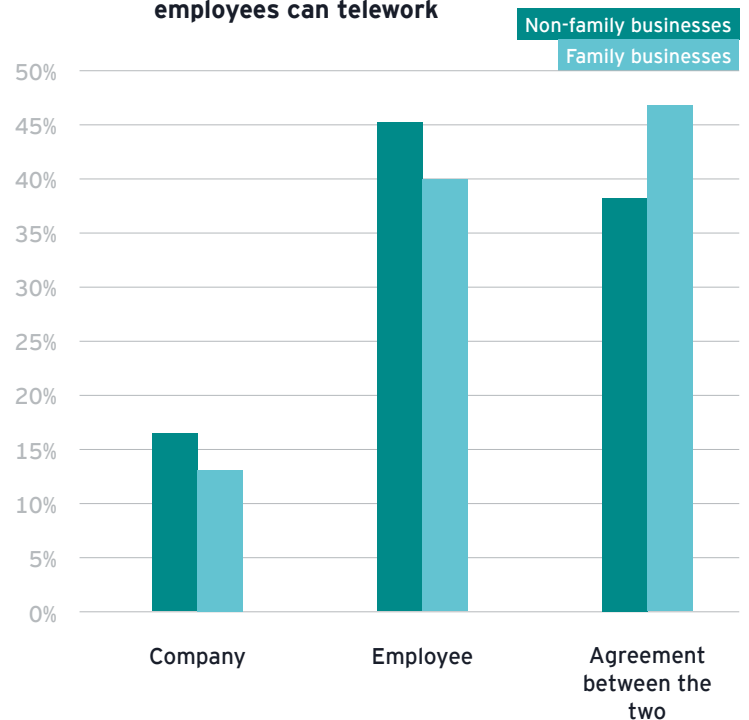
Similarly, family businesses afforded their employees less flexibility in terms of working hours than their peers in non-family businesses (Figure 6). Fifty-six percent of employees in family businesses had totally or partially flexible working hours, compared to 80% in non-family businesses.



**Figure 6** Flexible working hours



**Figure 7** Decision as to which days employees can telework



Evidence shows that the decision to telework was more consensus-based in family businesses, with a significantly higher percentage of employees in family businesses reporting having a process in place to reach an agreement between the company and the employee on which particular days they could telework (Figure 7).





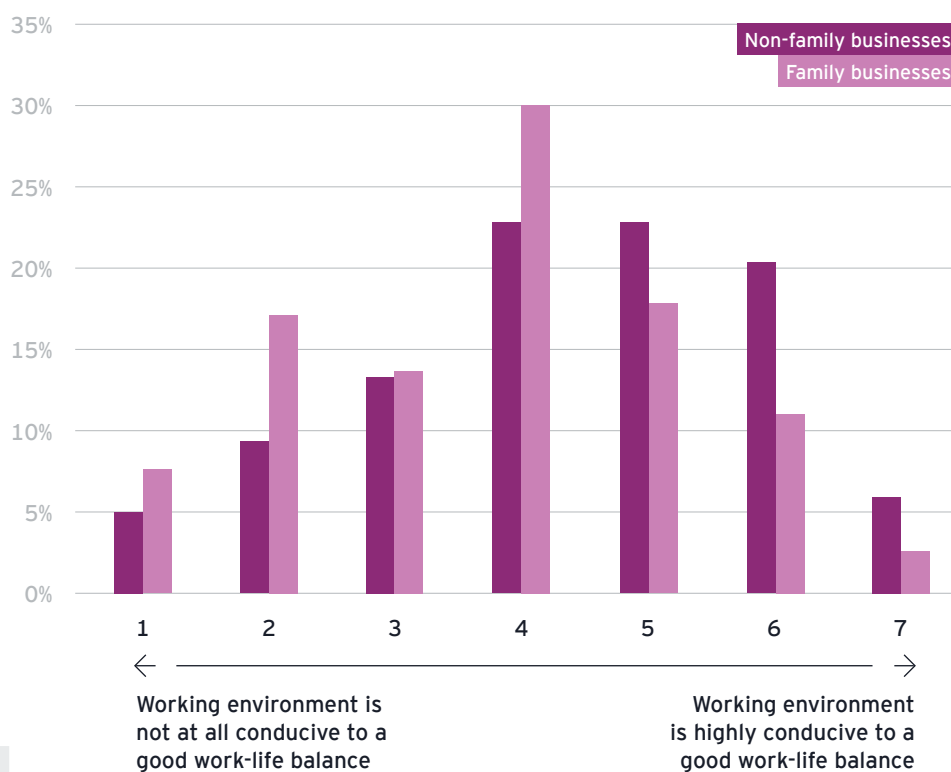
## 3

## Working environment conducive to a good work-life balance

Employees in family businesses felt that their working environment was less conducive to a good work-life balance than those in non-family businesses (3.76 vs. 4.34 on a scale of 1 to 7 where 1 indicated the “working environment is not at all conducive to a good work-life balance” and 7 indicated that the “working environment is highly conducive to a good work-life balance”, see Figure 8).



**Figure 8** Assessment of whether the working environment is conducive to a good work-life balance



In short, the respondents' answers suggest that **family businesses are less flexible than non-family businesses.**





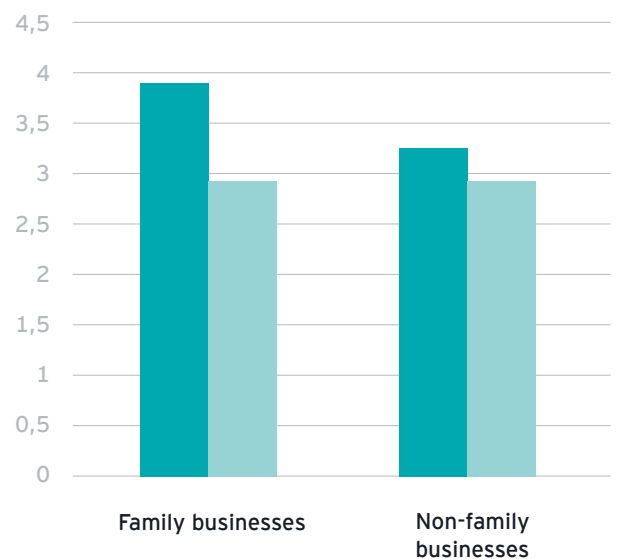
### 4.3.

## Is less job flexibility a disadvantage when it comes to retaining talent?

To understand the extent to which less job flexibility in family firms affects employees' intentions to quit,<sup>13</sup> we used a prediction model to examine the impact of flexibility-related aspects according to whether employees worked in a family business or not.<sup>14</sup> Given that Spanish respondents pointed to dissatisfaction with salary as their main reason for quitting their job, the model also included salaries as a predictive factor. Figures 9, 10 and 11 show the impact of each factor in predicting the attrition rate.

Figure 9 corroborates the importance of salary as a key factor in reducing the attrition rate in both types of firms, as well as its greater relative importance in family businesses. **When employees went from receiving a salary at the 10th percentile to a salary at the 90th percentile, their intentions to leave the company decreased by 11% in non-family firms, and by 24% in family businesses.**

**Figure 9** Relationship between intention to quit and salary



Lower salaries, between 20,000-40,000 (10th percentile)

Higher salaries, between 60,000-80,000 (90th percentile)

<sup>13</sup> We measured the intention to quit on a scale of 1 to 7, asking employees to what extent they disagreed or agreed with the following two statements "I often think about quitting my job," and "I am likely to start looking for a new job next year" and calculated an average for the responses to the two questions.

<sup>14</sup> We used a linear regression model to estimate the parameters. This model also included employees' demographic variables (gender, age, education, number of children) and job and company characteristics (salary, number of subordinates, industry, size, and age of the business).

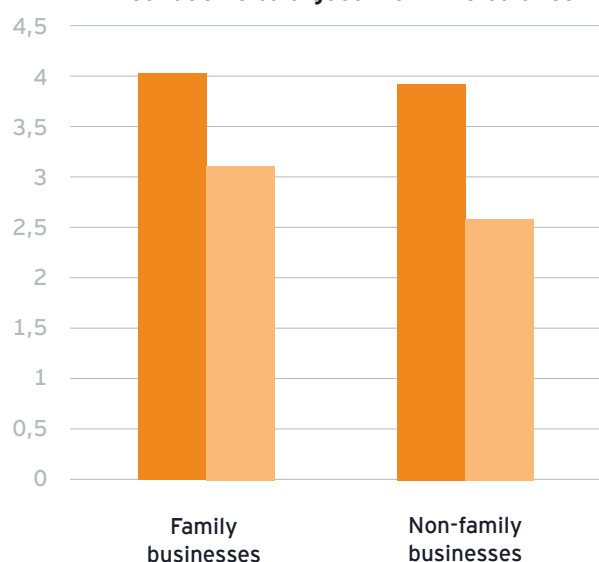




The main difference between family and non-family businesses was teleworking (Figure 11). **Being allowed to telework was highly important in non-family businesses, where transitioning from not being allowed to telework to being able to do so reduced the intention to quit by 15%. However, teleworking did not have a statistically significant effect in family firms.** Therefore, while in non-family businesses being able to telework proved to be a key factor in reducing the attrition rate, it did not seem to influence employees' decisions to quit in family businesses.

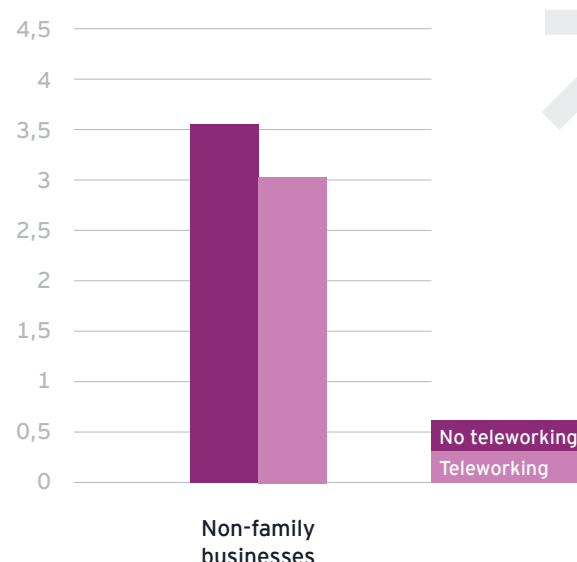
The model also suggests that the lack of a working environment that is conducive to a good work-life balance increases the intention to quit in both types of companies, although somewhat less so in family businesses than in non-family businesses (Figure 10). **Transitioning from a working environment that was not conducive to a good work-life balance (10th percentile) to one that was very conducive to a good work-life balance (90th percentile) was linked to a 34% drop in the intention to quit in non-family businesses and a 23% reduction in family businesses.**

**Figure 10** Relationship between intention to quit and working environment conducive to a good work-life balance



The working environment is not at all conducive to a good work-life balance  
The working environment is highly conducive to a good work-life balance

**Figure 11** Relationship between intention to quit and teleworking

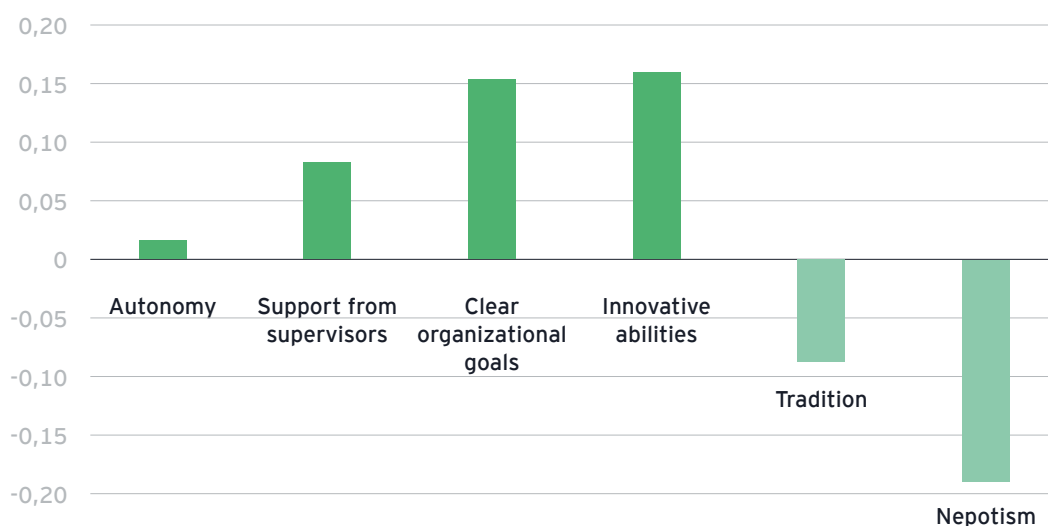


Finally, flexible working hours did not explain employees' intentions to quit, regardless of whether they worked for family firms or not.

These findings suggest that employees' intentions to quit in family firms were less affected by having a working environment that was conducive to a good work-life balance and the availability of teleworking than in non-family businesses. However, this should not lead to the wrong conclusion that family firms can ignore employees' demands in this area.

Our data revealed that when family firms provided teleworking options, employees' perceptions of the firm's working environment were more positive (Figure 12). Specifically, they perceived greater autonomy and support from their supervisors, as well as less nepotism. In addition, they had a better perception of their company's innovative capacities and felt that the firm was less reliant on doing things traditionally. These positive perceptions in turn reduced employees' intentions to leave the company, suggesting that, indirectly, being able to telework did contribute to retaining talent in family businesses.

**Figure 12** Difference (in %) in working environment perceptions between family businesses that offered teleworking and those that did not



In short, the findings gleaned from the reasons for quitting in general and the role played by job flexibility in particular, seem to indicate that employees in family firms value other factors when deciding to stay in their jobs. To explore this further, we compared the responses between family and non-family firms regarding the retention factors most frequently mentioned by the employees who stated that they did not intend to leave their companies in the following year (81% of the total sample).



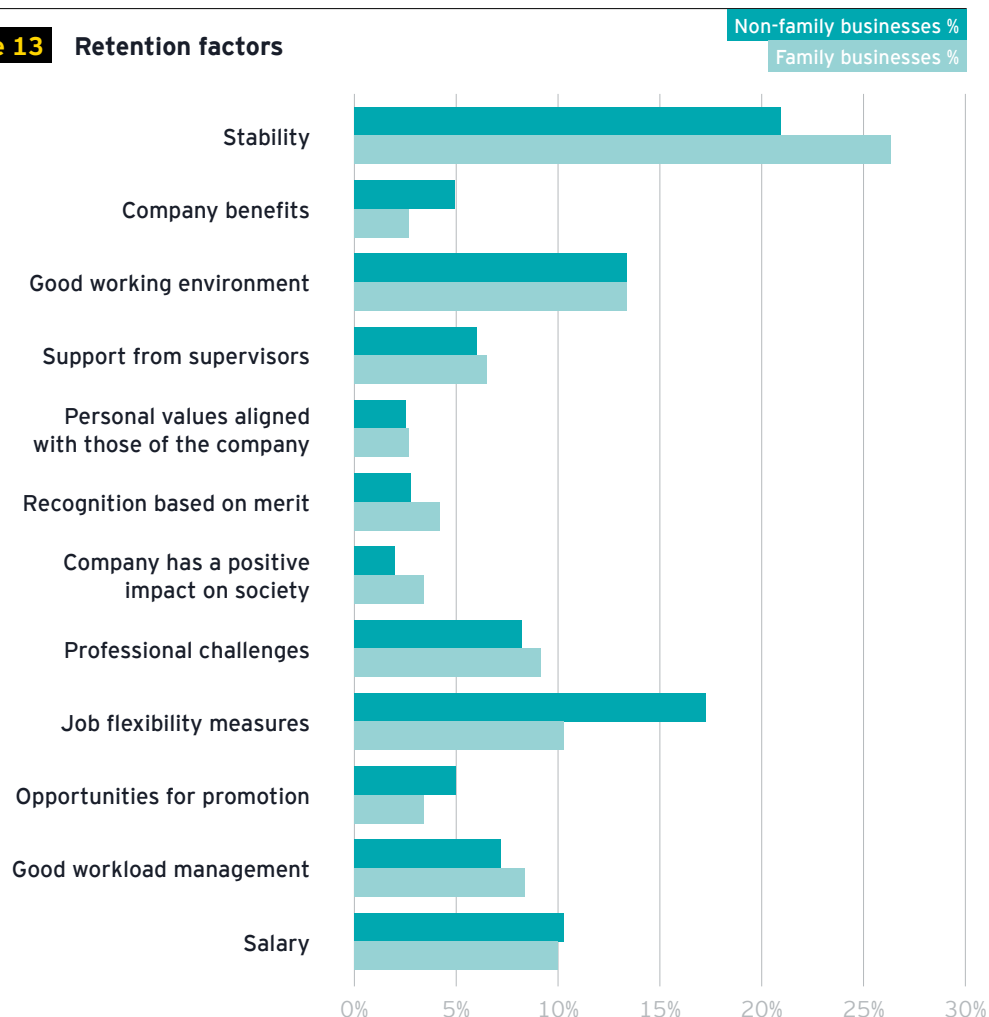
## 4.4.

# What are the retention factors in family businesses?

Figure 13 shows that the two retention factors most cited by respondents who did not intend to leave their companies were stability and flexibility, although their relative importance varies considerably depending on whether the company was a family business or a non-family business.

- ▶ Twenty-seven percent of employees in family businesses cited job stability as the main reason for staying at a company compared to 21% in non-family businesses.
- ▶ Flexibility was a less important retention factor in family businesses, as it was 7% lower than in non-family businesses.
- ▶ The importance of a good working environment emerged as a key retention factor and was equally important in family and non-family businesses.
- ▶ There were no significant differences in the remaining factors, although in line with the reasons for quitting, we observed that employees in family businesses cited non-economic factors such as “positive impact on society” and “support from supervisors” as important retention factors.

**Figure 13** Retention factors



## ■ 4.5.

### Duality of family businesses in the battle for talent

In conclusion, employees' responses to the survey reflect differences in perceptions about the employment relationship in family and non-family businesses.

- Employees in family firms reported that family businesses offered them stability as well as jobs that were more challenging and had a greater impact on society, compared to employees in non-family firms.
- Family businesses were less competitive in terms of salaries and flexibility than non-family businesses, although flexibility appeared to be less important for employees in family firms.

The survey data also show that these differences led to employees being more emotionally attached to their companies. Specifically, our findings suggest that "employees' emotional attachment to the company" was about 5% higher in family businesses than in non-family businesses (4.49 vs. 4.29 measured on a scale of 1 (very low) to 7 (very high)). However, we should not forget that this increased commitment to family businesses contrasts sharply with employees' intention to quit, as we mentioned at the beginning of this report (25% in family businesses compared to 17% in non-family businesses).

Therefore, the findings from employee responses reveal that family businesses have a unique employment framework which has two sides to it: one that fosters a strong emotional bond between the employee and the company, and another that points to greater challenges when it comes to retaining talent.

We conducted a series of interviews with human resource directors in leading Spanish family businesses to find out more about the reasons for this dichotomy in family firms and to discover how companies are successfully adapting to the new labor market reality. In these interviews we initially sought to gain a better understanding of the consequences of the two sides or duality of family businesses.



## 05



## Opportunities and challenges for family businesses in the new working environment



**The duality of family business employment relationships can be summarized in five points that highlight both the strengths of family businesses and the challenges they face in the “battle for talent.”**

1

**Family businesses are in a better position to provide their employees with a clear corporate purpose, yet they face greater challenges in positioning themselves as organizations that offer competitive salaries.**

The human resource directors pointed out that one of the greatest strengths of family businesses is their clear corporate purpose. This heightened purpose is explained by the unique nature of the family business employment relationship, in which employees have close ties with the owners.

“*In my view, people stay in a family business because they feel they are close to decision-making and to management. The fact that you can influence the decision-making process in a company increases your commitment to it, because in the end you realize that you are part of a bigger picture, that it is not just a business, it is a family.*”

This close relationship with the owners may pose a challenge for family businesses in retaining its employees for economic reasons (salary and benefits). This issue appears to be real: our quantitative data show that economic considerations were the main reason why employees intended to leave their jobs in family businesses. Although the interviewees suggested that saying that the salary was the reason why they wanted to leave actually masked other factors.

“*In general, staff don't leave because of money; most of them say they are leaving because they want to grow careerwise and be promoted when asked in their final interviews. They are probably being given the chance to take on a position of greater responsibility, which brings better compensation.*”

Respondents justified lower salaries in family businesses on the grounds that there is greater control over spending in this type of firms.

“*Salaries are lower because family businesses are much more prudent in terms of spending. They are more careful with investments, and it is more difficult to convince them to take the plunge. They are happier to spend more on training and looking after their employees, because they see it as an investment.*”

## 2

**Family businesses are in a better position to offer job stability to employees, yet they face greater challenges in providing opportunities for career advancement.**

Job stability is the greatest retention factor in Spanish companies, and family businesses have an edge in this regard. Greater job stability was confirmed by several human resource directors, who indicated that family businesses were reluctant to make redundancies and lay people off as a solution to cost-cutting, even in crisis situations.

*“ I think that family businesses do everything they can before making redundancies or laying people off, often at the cost of sacrificing their own assets. The principle that my people should not suffer is totally ingrained..*

*When the pandemic hit, the first thing the shareholders said was that nobody was leaving. As long as the company had the resources, they were not getting rid of anyone, which strengthens the idea of how important people are to the company.*

However, banking on job stability as a retention factor can also be problematic for family businesses, as it can lead to insufficient staff turnover, creating a lack of promotion opportunities.

*“ Low turnover is an advantage, because it builds loyalty but, on the other hand, it sometimes becomes a handicap when it comes to promoting and developing people's careers.*



## 3

### **Family businesses are in a better position to offer job flexibility that suits individual employee needs, yet they face greater challenges in terms of work-life balance.**

The family business employment framework is based on “relational contracts,” where greater emphasis is placed on personal relationships and on meeting employees’ individual needs. In line with this trust-based employment model, family businesses understand job flexibility as being “tailor-made” to fit each employee’s particular situation.

*“We are totally flexible as a company. It doesn’t matter if it’s a medical problem, family issues, kids, or whatever. All the employees know that if they have a specific personal problem, they just need to talk to their department manager, and it will be sorted out. We are completely flexible in terms of people taking time off.”*

Many interviewees suggested that this tailor-made flexibility explains why family businesses are not as receptive to teleworking and also thought that this may be why employees do not see teleworking as being such a major retention factor. In this sense, job flexibility goes beyond teleworking.

*“Flexibility is a concept that goes beyond teleworking and that’s where I think family businesses have always been more accommodating. The owners make you go to the office, but when you tell them that your son has to do a test in Boston, they’ll take you to Boston if necessary. A family business owner may not see why you have to leave on Thursday afternoons because you are teleworking, but they may understand if you ask them whether you can leave on Thursday, Friday and Monday for a good reason.”*

This customized flexibility generates a feeling of reciprocity that fosters high levels of engagement with the company.

*“You are asked to do things that are not part of a standard working relationship, for example, driving 300 km in a morning to sort out an emergency somewhere... when I am asked, I am more than willing to go because I know that when I need it, the company is there for me and is happy to help me out.”*

However, the human resource directors also admitted that this customized model, when taken to the extreme, can create a climate that is not conducive to a good work-life balance.

*“Employees work flat out here, but the fact that they give it their all leads to a poorer work-life balance. For example, up to now, if an employee has asked for shorter working hours this has put their career on hold.”*

## 4

### **Family businesses are in a better position to create a sense of belonging among employees, yet they face greater challenges in implementing teleworking.**

The family business working environment, which has a clear corporate purpose and more attractive professional challenges for employees, needs strong personal relationships, based on a sense of belonging to the family and to the business concept. These relationships require physical proximity, which may explain why family businesses are more reluctant to implement teleworking.

*“Our culture is largely based on personal relationships. We believe that the creativity needed to solve problems and the collaboration required to overcome challenges involves physical interaction. That is why our company has not invested heavily in teleworking. We want to see each other face-to-face, and we want everyone to be here. There is an option to telework a few days a year and if someone needs to or if something comes up, we can put together a “tailor-made arrangement.” But we don’t encourage teleworking on a regular basis because it doesn’t really fit in with what makes things work here.*

However, since COVID, teleworking is now looked upon in a more favorable light. There is general agreement that there is a considerable increase in employees’ demands for teleworking and that if they are not able to respond to them, they may have difficulties in recruiting people, especially to fill vacancies in certain positions.

*“Teleworking is being implemented and things are becoming more flexible, because we have a family and a Board of Directors that listens and understands that if we do not make it available, we are going to have problems recruiting people. But they are not doing it because they believe in it. They have experienced the exact opposite, i.e., always being at the office, and that is what has made them successful.*

*We have to implement teleworking because it is a market requirement for some positions. For example, it is a must for digital and IT positions.*

In addition to allowing people in certain positions to telework, some human resource directors stated that teleworking has helped them to offset one of the basic challenges that many family businesses face when it comes to attracting and retaining employees.

“ We know that one of the problems we have is location, which is why we allow people to telework two days a week in specific cases. We are very flexible. We always try to strike a balance.

Finally, despite the higher potential cost of implementing teleworking in family businesses, there is no evidence that this system is incompatible with good performance.

“ We have already implemented a system of part-time teleworking for many jobs that can be done remotely, and it hasn't reduced employee performance. We have actually realized that work is done more efficiently, in other words, we have found that some people are more productive when they telework.



## 5

### **Family businesses are in a better position to foster proactivity among employees, yet they face greater challenges in preventing perceptions of unfairness.**



A tailor-made employment relationship, such as those encouraged by family businesses, means that processes can be less formal. This way of working has some advantages, as it tends to be more agile and intuitive, thus increasing proactivity among employees.

“ More agile management means that employees are more involved in decision-making because they feel that they can go beyond what is established in their contract, since this is what the owners expect.

However, sometimes a lack of professionalism can have negative consequences, such as unobjective decision-making, which could lead to perceptions of unfairness.

“ A multinational or a company with various owners inbuilds processes as a way to prevent subjectivity. This does not occur in family businesses. Even though processes are in place, power is still concentrated in the hands of a few.

Moreover, working with more informal processes can also be problematic if the company grows quickly, as it makes it difficult to implement talent management policies.

“ What struck me the most when I started working in a family business is how informal everything was. When we implemented teleworking, we had to put the cart before the horse because there were no processes in place.

## 06



# Recommendations: the keys to managing talent in family businesses



Our findings suggest that family businesses need to be able to capitalize on the strengths inherent to their employment relationships, while proactively adapting to employees' changing expectations and needs in today's working environment.

The following are ten key recommendations for family businesses to leverage their strong points in the battle for talent to address the challenges of the labor market.



# 01

## Clear corporate purpose to attract talent and forge commitment

The corporate purpose of the family business must be clearly conveyed throughout the hiring process, from initial interviews to onboarding, so that candidates understand the unique value and opportunities inherent to working for the firm.

The corporate purpose must be conveyed by creating a unique narrative, measuring its uptake, and defining a set of initiatives that enable employees to understand how this purpose impacts on business results and on society.

# 02

## Ongoing moves towards flexible working arrangements

Flexible working environments must be created to respond to new employee demands, including teleworking, without compromising on a customized approach to employees' needs in terms of the work-life balance that family businesses currently offer.

# 03

## Competitive salaries to attract and retain talent

Family business compensation policies should be continuously compared with market benchmarks so as to offer competitive salary packages. These should be understood as an investment in human capital, which is essential to successfully overcome the challenge of finding the right talent.





## 04

### **Fairness as a core corporate principle**

The existence of a merit-based culture that promotes equal opportunities must be conveyed to employees who must be convinced that they can flourish based on their achievements.

## 05

### **Internal mobility to build career opportunities**

Businesses must continue to focus on job stability while ensuring internal upward and cross-functional mobility, providing new learning scenarios for employees to enhance their experience, and promoting new career opportunities which, in turn, contribute to the development of key competencies in the company.

## 06

### **Consistency to enhance employer branding**

It is essential to ensure consistency between how the company says it acts and how employees are treated, if firms are to maintain their credibility and reputation in the labor market and prevent damage that could jeopardize the family business' image as an employer.





## 07

### **Employee reskilling to ensure a sustainable future**

Businesses must accelerate employee upskilling and reskilling to ensure the organization and its future objectives are aligned with securing key capabilities.

## 08

### **Flexible talent management strategies**

Talent management strategies must be implemented to combine increasing the loyalty of internal talent, through in-house development, with the recruitment of external talent to meet specific company and employee needs at any particular moment in time.

# 09

## Well-being as a talent retention strategy

The values of the family business model in which looking after employees is a priority must be showcased, promoting initiatives to support employees' physical, mental, social and economic well-being.

# 10

## Innovative, humanistic leadership

It is essential to leverage the importance of values and legacy care in family businesses to foster leadership styles that encourage learning and upskilling, the approachability of leaders, the delegation of decision-making, and the importance of teamwork in increasingly diverse geographical working environments.





# Acknowledgments





This study became a reality thanks to the support of several leading family businesses in Spain. We would like to express our sincere thanks to their human resource directors for giving their time and selfless support to our research. In addition, we would like to extend our thanks to the leading global staffing companies in Spain: The Adecco Group, Randstad and ManpowerGroup. Their cooperation was invaluable in improving this

study and providing a more accurate picture of the new working environment.

We would like to thank Teresa Domenech, a research assistant at the IE Center for Families in Business, for her invaluable contribution to drawing up the report.

## Participating companies and human resource directors

➤ Camino **Sanmillán**  
**Acciona**  
Head of Diversity & Inclusion

➤ David **de Esteban**  
**Importaco**  
People and Value General Director

➤ Juan **Ráez Manjón**  
**Acesur**  
Human Resources Director

➤ Jesús **Domingo**  
**Mahou**  
Chief People & Organization Officer

➤ Emilio **Marcos**  
**Azvi**  
Human Resources Director

➤ Vanesa **Porto**  
**Martinez Otero**  
Human Resources Director

➤ Francisco **Mouriño**  
**Cortizo**  
Human Resources Director

➤ Francisco **Chocán**  
**Migasa**  
Human Resources Director

➤ Antonio **Andrés**  
**Damel**  
Human Resources Director

➤ Marta **Mosegui**  
**Natura Bissé**  
Human Resources Director

➤ José **Yera**  
**Estrella de Galicia**  
Human Resources Director

➤ Rebeca **Filgueira**  
**Nauterra**  
Human Resources Director

➤ Guillermo **Rey**  
**Grupo Segura**  
Human Resources Director

➤ Mónica **Osborne**  
**Persan**  
Global Talent Director

## Global staffing companies and participating executives

➤ Iker **Barricat**  
President  
**The Adecco Group**

➤ Vicenç **Àlvaro**  
Marketing and  
Strategy Director  
**ManpowerGroup**

➤ Daniel **Lorenzo**  
External Relations  
Director, Spain  
**Randstad**



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March 2024

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