

Research on success stories of family businesses and proposal of a CANVAS business model

Investigación sobre casos de éxito de empresas familiares y propuesta de modelo de negocio CANVAS

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Abstract

Today the family business occupies a very important place in the economy of each country to generate the most jobs and contributing to gross domestic product in a very high percentage. The objective of this research is to present relevant information of successful companies that have prevailed for over 1400 years and passed from generation to generation with unique businesses and chaos and power struggles between family, and a proposal of methods and models of business. The results show the oldest family businesses with the world and its orders, competitive advantages and business secrets. Evidence of the family chaos are presented. CANVAS business model supported with the book of Alexander & Pigneur, it has been adopted by incubators Mexico, includes every part of a business plan focuses on infrastructure, supply, customer and economic model.

Success stories, Family chaos, CANVAS model

Resumen

En la actualidad las empresas familiares ocupan un lugar muy importante para la economía de cada país generando la mayor parte de los empleos y contribuyendo al producto interno bruto en un porcentaje muy alto. El objetivo de esta investigación es presentar información relevante de empresas de éxito que han prevalecido por más de 1400 años y pasado de generación en generación con negocios únicos, así como el caos y guerras de poder entre la familia, y una propuesta de métodos y modelos de negocios. Los resultados muestran los negocios familiares con mayor antigüedad del mundo así como sus giros, ventajas competitivas, y los secretos de las empresas. Se presentan evidencias del caos familiar. Un modelo de negocios CANVAS soportado con el libro de Alexander & Pigneur, mismo que ha sido adoptado por incubadoras de México, incluye cada parte de un plan de negocios se centra en la infraestructura, oferta, cliente y modelo económico.

Casos de éxito, Caos familiar, modelo CANVAS

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Introduction

As Michel de Montaigne writes "Ruling a family is almost as difficult as ruling a kingdom". Some of the keys to survival for over 1400 years are financial policy, which tends to be more conservative, low indebtedness and reinvestment of profits, while owners try to be more patient with success and profits. (Sala, 2009). Page 29

Family businesses range from corner shops run by parents with or without the support of their children, to giants such as Ford Motors, Michelin, Fomento de Construcciones, Carrefour, Fiat or family groups with a wide variety of interests, such as the Wallenberg dynasties in Sweden, the Wendels in France, or the Marches in Spain. Of the 250 family companies listed on the stock exchange, 10 are Mexican companies. In this work we will reveal the administrative and financial secrets that these companies have in order to continue operating with positive results in their finances.

In this case, we will only talk about the successes of family businesses and the benefits they obtain by making business plans following an effectively functional model.

The present research starts with the background of family businesses, followed by the methodology and the respective analysis of the success stories, as well as the proposed CANVAS business model for family businesses starting or developing.

Structure of the family business, young family in the business, entry into the business, working together, handing over the baton.

This results in a controlling owner, sibling partnership and leads to a consortium of cousins. Family businesses are characterised by emotional rather than professional and rational decision making. (Rius, 2010)

Errors of grandeur

Too many titles, too much nobility, what about business? A process of deification of this type is what ended with the independence of the centenary brewery Guinness as a family company to become just another brand within the conglomerate. This is what he says (Sala 2010). Page 49

"Family businesses are those in which at least two members of the same family, both persons related by natural or legal kinship, have control over the ownership to the same degree. They have sufficient control over the ownership to influence and participate effectively in the administration and management with clearly non-personal business objectives and aims.

What makes a family business different from other companies is the setting, the ownership, the family and the company". (Sala, Family Secrets, 2009).

Change, even if it costs, or stagnation and bankruptcy, as Gerardo Mercado comments in his work Reinventing the family business: The business model. (Mercado, 2009)

In 2010 Alexander Osterwalder designed the business model canvas. A business model describes the logic of how an organisation creates, delivers, and captures value. According to the author, a business model consists of nine elements.

Customers, value proposition, distribution channels, customer relationships, revenue sources, key resources, key activities, key alliances, cost structure.

In Mexico, around 70% of new businesses do not reach their third year of life. Studies in the US show that less than 30% of family businesses successfully advance to the second generation, and only 12% reach the third generation. According to data from the Small Business Administration (www.sba.gov) and the Bureau of Labor Statistics (www.bls.gov), 53% of startups born in 2005 had disappeared by 2010, five years later. In short, the majority of family businesses 70% at least did not make it to the next stage.

The CANVAS business model

Written by Alexander in 2010, it provides input from 470 business plan and business model experts in 140 countries. This model is adopted by some incubators in Mexico, giving great results for entrepreneurs who want to apply for federal funding, as the model manages globally each part of the company, projecting financially the life of the business for more than 3 years of operation.

3 years of operation. Supporting start-ups and companies in the development stage.

Canvas Model

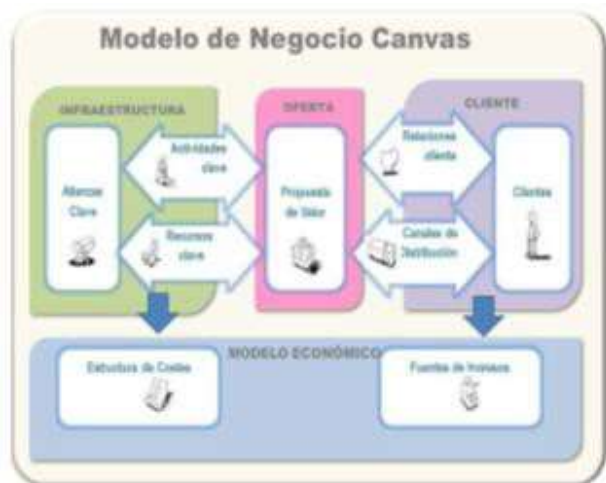


Figure 1 Canvas Model

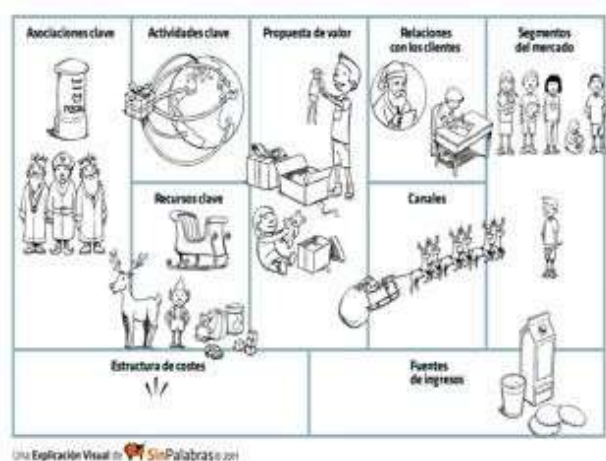


Figure 2 Example CANVAS model

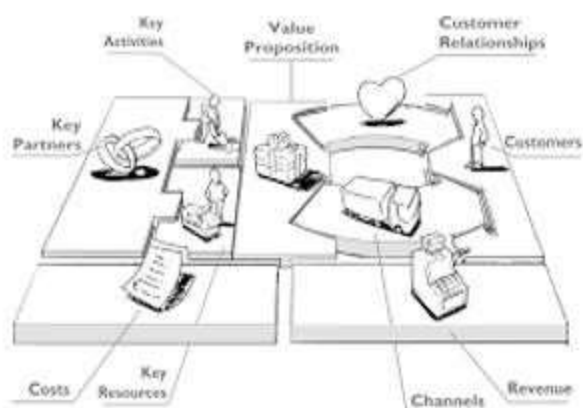


Figure 3 Example in English, <http://www.chile-startups.com/modelo-canvas-en-espanol-9-paso-a-seguir/>

"The model of balance between business and family, imagine a ship made up of three parts: bow, stern and cockpit. In which the captain is located, the ship must sail as long as the water does not penetrate, and for this purpose it must move in harmony with the waves of the sea". So it is with the family business, the bow represents the family, the stern the company, in the cockpit are the decision-makers, the parents represent the captain of the ship.

On the other hand, if the company receives the resources and the family only a minority of the members disagree that the company will grow and the family will stagnate. (Rius, 2010)

Methodology to be developed

For the presentation of the success stories of family businesses and the proposal of the business model, three important points were addressed.

- Collection of success stories of family businesses in Mexico and much of the world.
- Family chaos among the most successful companies, such as murders, people who go to jail because of their own relatives.
- Family secrets of successful family businesses
- Analysis of the CANVAS business model.

The business model is the plan to follow to make the entrepreneur's business idea a reality, in a company that is able to achieve financial self-sufficiency, able to pass from generation to generation and manage to live for more than 1400 years.

Results

Presentation of family business success stories

Undoubtedly the company with the longest longevity worldwide is the Buddhist temple builder, with an active life of more than 1428 years, KONGO GUMI, which disappeared in 2006, founded in 578, the cause of its disappearance is due to its millionaire debt and the downward business cycle in Japan.

This drastically depreciated the value of its assets. The volume of debt reached 343 million dollars and the firm was unable to pay it off.

The next company is BERETTA, the best bullet in the chamber, has been making guns for almost 500 years and the company's philosophy is very clear: one owner, one head. Like other family-owned companies, Beretta puts into practice a mixture of innovation and design in the production processes. This company was founded in 1526.

In third place is the company Codorniu Cava and wine from the cradle. Born in 1551 with great success in wine, the owners have been leading the way for as long as they can remember.

Santander banking in the genes, the family control is carried with an iron fist in this one-armed man. In 2006 the banker and his two sons sealed a 50-year share syndication agreement with his two sons, until 2056.

Banca March, from smuggling to big business. Juan March smuggled contraband between Morocco and the Balearic Islands. Who later helped to finance the military from these origins, a veritable empire was born, which is today managed by his grandsons Juan and Carlos March.

Loreal, Bettencourt, because Loreal is worth it. The company's stock market value is 42 billion euros. It is a veritable empire.

Exposure of the most serious family chaos collected

Guinness brewery, errors of grandeur, too many titles, too much nobility and the business? Such a process of deification is what ended the independence of the century-old Guinness beer as a family-owned company.

Adolfo Dominguez took over the business created by his father and ended up having his three brothers as competitors, a company that went from being a mere tailor's shop to a real company.

Raventós, The heir leaves Condornú and creates his own brand. In 1982 José María Reventós Blanc, manager of the century-old Codorniu winery, based in Sant Sadurní, disagreed with the company's strategy with the rest of his brothers and cousins and joined the family business at the age of just 20.

Grupo Celsa, Rubiralta: Two brothers two destinies, the company had a turnover of 3,000 million euros, but the harmony between these brothers that has been characteristic of the company for years did not last forever and they split up.

Family secrets of success

The key to the success of the Kongo company was that for many years it was only dedicated to the manufacture of temples and when it decided to invest in real estate, its finances soon collapsed and in 2006 the world's longest-running company came to an end.

In Beretta, when the shareholders are essentially relatives, you can maintain a certain stability because they are willing to make certain sacrifices.

Codorniu, represented by the Raventos, they know almost from birth that in order to work in the family business you have to know English, have a university degree and have worked for at least five years in companies outside the clan. Finally, the board decides who are the ideal candidates to occupy the positions of responsibility.

Adolfo Dominguez, the company's real success came from franchising and marketing. The symbol of the wrinkle became more and more popular and became a real fashion statement. But in 1991 the company burned down and destroyed the main factory of the company, the loss was 90 million euros. Financial support and loans from Santander enabled the company to recover.

Christopher B. Galvin, grandson of Motorola's founder, stepped down as CEO in 2003, breaking the family tradition. Although struggling today and out of the control of the Galvin family that founded it, Motorola remains at the top of the telecommunications world, although it is not nearly what it once was. (Sala A. , 2010)

CANVAS business model

Any business model will bring added value in a very particular way to any company that makes use of them, based on them, the mission, vision and objectives of the company will be put into practice.

The CANVAS model by Alexander & Yves. It consists of nine points

- Customer segment, can be one or several segments.
- Value proposition, it is about solving customer problems and satisfying customer needs with value propositions.
- Distribution channels and communications, value propositions are delivered to customers through communication, distribution and sales channels.
- Customer relationships are established and maintained with each customer segment.
- Revenue streams, revenues are the results of value propositions successfully delivered to customers.
- Key resources are the means necessary to deliver the described elements successfully.
- Key activities, by performing a number of key activities.
- Partner network, some activities are outsourced and some resources are procured from outside the company.
- Cost structure, the elements of the business model result in the cost structure. (Pigneur, 2011)

Business model analysis

- Customer segment, who I am going to target my product with what characteristics will be my customers, what is my target market, niche market, segmented market, diversified market.

- Value proposition, give a new product with features and advantages different from the competition and I will give that others do not offer what I know that they do not.
- Distribution channels, internal sales team, through the web, own shop or managed by the company, partner channel, how I am going to get my product to my customer segment.
- Customer relations, customer acquisition, customer loyalty, sales estimation, overall customer experience, how I will do it, personal support, exclusive support, more intimate and in-depth, self-service, you tube automatic services, communities and social networks, collective lego creation.

Revenue streams, the revenue must first come from my value proposition and then it could be from the distribution channel, always with positive flows and thinking of leaving or investing my profits at the beginning for a long time to help the financial growth of my company.

- Key resources, the most important assets for a business model to work, are intellectual human resources, patents, copyrights, partnerships and databases of our customers and others who are not yet customers, physical resources such as facilities and manufacturing, as well as our fixed assets, machinery and equipment.
- Key activities, registering my brand, optimisation and economy of scale, reducing costs involved in infrastructure, reducing risks, and uncertainty, buying certain resources, sharing a piece of the pie, making alliances.
- Key partnerships, networking alliances with our customers and suppliers, always offer a competitive advantage of our services to negotiate and always have our captive customers and our suppliers very aware of our needs.

- Cost structure, costs and expenses must contain each and every one of the activities necessary for our company to function, the costs will be the variables that are recovered when our product or service is sold and the expenses are the fixed costs necessary to manage and run our business and these are made and are affected by the expense and are not necessarily recovered with the sale of a product.

The financial plan contains the break-even point where we analyse the income we are showing in our budget and the costs and expenses necessary to generate that income and based on this we start to generate profit when we make a certain number of products or services provided, depending on the result this can be modified from its point one of the CANVAS business model.

This business model establishes a business plan in an integral and global way where the central axis is the customer, offering a unique value proposition and that will distinguish us from other companies, it can be analyzed that a good idea can arise from an excellent business, which requires persistence and combining it with being careful with finances and using the reinvestment of profits which results in a growth more as we started we will see our business grow faster than thought and planned by the CANVAS business model written by Alexander & Yves in 2010 that left behind many other models that also serve as a guide when we have a business idea.

The financial statements needed in the business model are the following:

- Expense statement
- Monthly and yearly cumulative income
- Monthly income statement with annual cumulative
- Balance sheet with monthly and cumulative annual breakdown

Break-even point with monthly and yearly cumulative breakdown, with product mix if more than two products are available.

- Financial projections for at least five years.

Note: projections are requested for 5 years because according to statistical data family and micro enterprises close or go bankrupt in the first 3 years of operation.

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Conclusions

The main secrets of family businesses is the reinvestment of profits and having patience in the finances of the company and not spending more than necessary to grow your family business, no doubt the business model used by each company determines the direction of the company.

The successes of the company are due to the sacrifices of each of its founders, their preparation, innovation, designs and developments in their production processes, the family chaos begins when entrepreneurs pay more interest, The family chaos begins when the entrepreneurs pay more interest to their companies than to their relatives and they get jealous wives who get to murder and jealous children of their siblings when they decide to whom they will give the head of the family business, they divide the inheritances and divide the family business, the chaos is also experienced in the case of Guinness for leaving a lot of wealth uncovered and the business is left to one side, this leads to the end of the family business.

The Canvas business model written by Alexander in 2006 replaces other models that look at the business plan separately and not as holistically as the one proposed by the author.

With these new points that take care of the client and the business idea to develop costs according to the needs of the business to generate a profit that helps the growth of the business, which helps to be subject to support from federal funding sources that are the most economical for the company and with real benefits, fulfilling each of the needs of the business model makes the entrepreneur or businessman can launch his business idea.

The results shown in this research are that the success of family businesses is due to the persistence of each of their owners and that some businesses prefer to have only one head, one director and one owner.

The captain of the ship has to know where he is going so that the wind that is blowing directs him to where he had planned in time, if there is no course there is no good air to guide him to a good destination.

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