As old as history. Family controlled Business Groups in transport services: the case of SEUR[1]

Abstract: This article presents empirical evidence about the contribution of family controlled business groups as highly efficient alternatives to the large vertically-integrated and professionally managed corporation in specific institutional and market environments. This hypothesis is tested with a singular case study, SEUR, in the Spanish transport services sector. SEUR is one of the most prominent Spanish courier companies. It was founded during Franco´s dictatorship, expanded in democratic times, and adapted to the financial challenges of the late globalization during the end of the 20th century with imagination, and the maintenance of old, traditional values based on personal trust and family ties.

Keywords: Family Business; Business Groups; Network Business Groups; Express Transport; Spanish Business History;

Introduction

Late developing economies have had a perfect market and institutional environment for business groups, as Leff, Guillén, Kock and Guillén, Valdaliso, Barbero and Jacob, and Colpan, Hikino and Lincoln, among others, have indicated for many European, Asian, and Latin American countries.[2] Following these authors, business groups often have helped to right market imperfections, have shown strong executive skills, and have enjoyed the frequent support of authoritarian governments, thus constituting an alternative to the big Chandlerian Corporation. Their organization, in a diversity of independent firms linked by formal or informal ties, has yielded some experiences of business success, depending on the stage of development of the sectors and the markets in which they have operated in past and present times, and on the strict or flexible regulations affecting their activities throughout their history.

Business groups are increasingly a subject of study in peripheral European countries like Spain, where their ownership and governance structures are often under control of families and dynasties. Some significant studies, for Spain, are those of Valdaliso on the Aznar family, Díaz Morlán on the Ybarras family, Fernández Pérez for the Moreda Rivière Trefilerias group, or San Román on the Fierros.[3] As Josep Tàpies, an expert in Spanish family business groups has observed after his research on around 3,000 large Spanish firms, this kind of entrepreneurial organization is common in this country.[4] According to this literature business groups in Spain are not a brand new type of business organization. They have existed, at least, since the beginning of the industrialization period, in the late nineteenth century, in capital intensive sectors where foreign and public capital dominated. Also, business groups have been present throughout the first decades of the twentieth century, in less technologically intensive sectors such us light metal transformation, where private local initiatives proliferated. This general framework was reinforced after the civil war of 1936-1939, with the backward-looking economic policy of Franco´s dictatorship (1939-1975), and continued –with very different rules of the game- with the outward-looking policies of democratic governments which integrated Spanish institutions in the European Economic Community after 1986.

This article contributes to analyzing how business groups may appear, expand, and succeed during very different institutional frameworks, whether authoritarian and democratic, as a response to new demands in expanding dynamic markets. Moreover, we present theoretical arguments which reinforce the idea that in different institutional and market environments this type of business groups may represent highly efficient alternatives to the large vertically-integrated and professionally managed corporation.

This hypothesis is tested with a singular case study, SEUR, in the transport services sector. This appeared in Franco´s times, expanded during democratic times, and adapted to the financial challenges of the late globalization during the end of the 20th century with imagination, and the maintenance of old, traditional values based on personal trust and family ties.

This case study approach has been chosen for two reasons. First, most of the leading courier groups in the world are large integrated Chandlerian companies, whereas the business group of SEUR has been able to avoid that type of organization, and become one of the most important courier groups of companies in Spain: it has 7000 employees, a fleet of 3,700 vehicles for road transport and a turnover of 563 million euros in 2010. Secondly, SEUR is a business group that is not controlled by a single family or a reduced group of families, as is often the case in many large business groups of Asia or Latin America. The group is operating with more than fifty business-owning families, which leads us to classify this group as a network-type business group, according to Colpan and Hikino’s classification: a constellation of legally independent companies that cooperate for common long-term goals.[5] SEUR was not, and is not, a single family controlled group, but several family-controlled firms organized in a rather cooperative horizontal way. The different families divided the operations of the business according to geographical criteria. Each one of them was made responsible for promoting the business in one or several Spanish Autonomous Communities. The partners were family, relatives or friends who shared very similar values and social background. Trust, solidarity and entrepreneurship were the key ties that made them start activities in a sector where they lacked any previous significant know-how or experience. Literature has reinforced the importance of social networks in the foundation and development of business groups.[6] Networking between individuals who share similar values and the same social background is a business strategy that has historically allowed business survival under uncertain environments, as the case of SEUR.[7] As Powell showed in a seminal work on network businesses, trust, institutional and social context with particular combinations of legal, political or economic factors, are willing supporters of network forms.[8] This article reinforces the reasons that Powell pointed out as the main factors that foster the creation of network business groups.

Courier was a relatively new niche market in Spain in the 1960s, and the general restrictions on foreign investment in Spain during Franco´s regime made them flourish and grow spectacularly in the 1970s and 1980s. After a failed attempt to go public in the Spanish stock market in 2000, the French group GeoPost bought in 2004 a part of SEUR. Nowadays GeoPost owns 55 per cent of the Company. The remainder is held by the founding family firms.

This article is divided into four sections. The first one gives a brief overview of courier activity, describing the main global actors and its historical evolution. The second part examines the internal structure of the Spanish courier market. The third one deals with the history of SEUR: its foundation and expansion and its configuration as a network-type business group. The fourth and last section focuses on the reasons that explain the configuration of SEUR as a business group and the advantages and disadvantages of this form of organization.

1. The courier market in the Western World

The courier and express industry includes the provision of value-added, door-to-door transport and deliveries of next-day or time-definite shipments across the globe.[9] These activities have a remarkable influence on the global economy. The contribution of the express industry to European GDP reached 23 billion euros in 2010, supporting over 600 thousand employments.[10]

If we focus on ownership, there are three types of companies in the express market: private companies, public postal operators (in which express activities are part of their core business), and, finally, companies that are the result of mergers between postal operators and private firms. In the first group, the North American groups UPS and FedEx are the most prominent.[11] United States Postal Service (U.S.P.S), the French firm La Post or the Italian one Poste Italiana are outstanding examples of the second group. Finally, Deutsche Post-DHL and TNT belong to the last group.[12] Table 1 shows the main economic data of these quoted firms in 2011 and some historical references about each one of them.

(Table 1)

The express industry came into existence at the beginning of the last century, when the rapid growth of global markets and world trade extended the demand for carrier services. At that time a niche market was formed in freight transport, untouched by the public postal operators. The first private companies were created in the United States to satisfy increased demand for private and fast courier services. As table 2 shows, the three top companies that currently lead the global express market come from the U.S. The table includes TNT as the fourth leading company in 2009.[13]

(Table 2)

In this first stage, the economic role of entrepreneurship is highlighted in all cases and the entrepreneurs founded companies capable of facing the growing demand for fast and reliable transport services. However there were different ideas about how to develop an express delivery service and different economic means to achieve it. Four outstanding examples are representative of the diversity: First, Jim Casey, who founded UPS in Seattle when he was 19, with only 100 dollars loaned by a friend. His company concentrated on delivering ground-based parcels of a weight above the limit reserved by law for the US Postal Service. A different business model was TNT, founded by Ken Thomas when he was 33. All his capital was a small amount of money and a single truck. It was certainly an Australian-based company which sought to dominate the small Australian domestic market, then trying to break into new European and American markets. In a third example, the founder of FedEx, Fred Smith, while at Yale University wrote an essay highlighting the need for "next-day" delivery service in the United States.[14] The idea seemed so absurd to the academic world that the essay received a low mark. Despite this, Smith kept his idea in mind and, while serving in the Army, learned carefully how the military delivery process was developed. When he finished his military service, he achieved his dream of creating a business that did not exist: a night express courier service. In this case the start-up capital was greater than that used by his above mentioned competitors: 80 million dollars provided by several investors, including his brothers. This capital allowed the company to develop an innovative organizational method based in three concepts: (i) night air transport, (ii) operation centralized in a central platform for distributing documents and parcels, (iii) and a tracking system for monitoring deliveries in real time.

Finally, in a fourth example of diversity in this new business, Adrian Dalsey, Larry Hillblom y Robert Lynn, founders of DHL, also developed a new business model shortly after their graduation. They launched a service that no other company offered because they managed to reduce the time spent in customs procedures. Their business idea was oriented to an international service based on time-sensitive, low-weight but high-value goods, especially documents, trying to take advantage of world trade and economic globalization.

In a short time, the international courier leaders began to diversify and grow, starting the second stage of courier history. Thereby, they offered new services in addition to express transport, ranging from integrated logistics, national and international transport of full or partial loads, air and ocean freight services, insurance and consulting, among others. At this stage, which lasted throughout the last quarter century, some public postal operators began to work in a market that presented, at this moment, great opportunities for profit. For example, in 1999 the French public postal operator La Poste entered the courier business by creating GeoPost.

The third stage of courier history began with the twenty-first century. The liberalization and globalization of the European express industry, and the changes in communication technologies led to a broad transformation of postal services. As a mature economic sector, express industry began a process of supply concentration and strategic partnership.[15] The large operators launched numerous mergers and acquisitions of companies whereby they strengthened their market share, their geographical coverage and their portfolio of services. Through these operations, the multinationals have tried to seek and conquer new emerging markets by the acquisitions of host firms. In recent years, Asian and Latin American markets are the favourite destinations for investors.

As a result, the sector concentration has not stopped growing. Figure 1 indicates the market shares of the large international operators in the European express market. As the figure shows, the leading carriers control the main European markets, with an average joint share of 45 per cent in 2010.[16]

(Figure 1)

2. The Spanish courier market: Business Structure

The Spanish courier industry is formed by a large number of companies, mostly small in size: in 2010 6,045 firms operated in this market as the website of the Spanish National Statistics Institute informs: www.ine.es.

Although large foreign multinational groups operate in Spain, a few large Spanish-based companies dominate the market. As table 3 shows, from 2004 to 2010, five companies hold an average 40 per cent of the market. All these companies, SEUR, MRW, Nacex, Chronoexprés and DHL Iberia, share its Spanish origins except the last one.[17] Table 4 summarizes some characteristics of these five market leaders.

(Table 3 and Table 4)

What are the main features of the express carriers that work in the Spanish courier market? In broad terms, there are five types of firms according to their ownership and origin, as seen in table 5: (i) subsidiaries of foreign companies, (ii) Spanish firms acquired by foreign multinationals, (iii) Spanish companies that have evolved from ordinary transport to courier, (iv) Spanish firms that were established to operate on courier activities, and finally (v) Spanish and European public postal operators that have acquired private companies to expand their activity to the courier sector.[18]

In the first group DHL, the first international express carrier to enter in Spain, in 1979, is an outstanding firm.[19] DHL is also the biggest foreign company that operates in the Spanish and Portuguese markets through its subsidiary DHL Express Iberia. Other multinationals decided to purchase Spanish companies for entering this market: such was the case of UPS, which acquired Cualladó, as well as TNT, which bought the two Spanish Unitransa and TG+. Transportes Ochoa, which has recently ceased its activity, is the most representative example in the quoted third type of firms: it was a traditional Spanish freight carrier that extended its activity to being a courier. In the fourth category, firms that were established to offer express delivery services, SEUR, MRW, Nacex and Halcourier are the most important ones. All these firms adopted the franchise structure in order to cover the entire Spanish territory. In the recent years, a wide range of small-size firms were established with this legal structure to enter certain express market segments in which the entry barriers are low. Envialia, ASM, Zeleris, Mex or Redyser are some examples. Although its turnover volume is not as high as the big express carriers, they have achieved a prominent place in the Spanish market, so they are serious competitors in particular business niches. Finally, the former public postal operator, Correos Group, also has presence in the Spanish courier market. Correos entered the courier sector by acquiring the French firm Chronopost, later renamed Chronoexprés.[20]

(Table 5)

3. A historical approach to SEUR

SEUR is the oldest express carrier company in Spain: it was established in 1942 and, until the late seventies, it was the only one operating in the Spanish courier market.[21] The arrival of competition came in 1977 with MRW, another Spanish company. A few years afterwards, the major global operators such as the Europeans DHL and TNT or the American UPS and FedEx arrived in Spain. The long-lived history of SEUR (the company was 70 years old in 2012) can be summarized in three stages of asymmetrical length. These stages coincide roughly with the ones we have set for the development of courier companies in the Western world: (i) a difficult start until the end of the fifties, (ii) a long period of growth and diversification, accompanied by an intense professionalization of the company, until the end of the century, and (iii) the time of alliances, joint ventures and mergers of companies during the last years. This stage involved the sale of 55 percent of SEUR to the French operator GeoPost, a subsidiary of La Poste.

3.1. The difficult beginnings in post-war Spain

SEUR began operating in 1942, three years after the end of the Spanish civil war. The country was facing one of its most difficult historical periods: the beginning of the dictatorship of General Franco. The international economic isolation and Franco's protectionist policy extended the time to reach normality and plunged Spain into a period of delay that did not help the creation of new businesses. In addition it should be recalled that the term "courier" did not exist in Spain, a country whose terrible communications and endowment of infrastructures have been a historical problem for its economic development. The time of delivery of any goods was long in the forties and nobody seemed to consider the need to shorten them.

Two young people without university education, training or resources launched SEUR. They were Justo Yúfera and Jorge Fernández.[22] The two partners began to deliver goods between Barcelona and Madrid with a minimum capital and a telephone as their only assets. From the start, the two partners decided to share profits equally and to keep, each one of them, the ownership of their part of the business: the business was thus set up as two independently owned companies operating in partnership. This idea started in their initial agreement to divide profits equally and to keep business independence and was maintained throughout seven decades, as new members joined the network. It became a feature of corporate identity and a rarity in the industry as most courier companies often distribute benefits unequally, in favour of the city that sends a parcel. Parcels travelled from city to city by train, and each of the partners, Yúfera in Madrid and Fernández in Barcelona, was in charge of deliveries in their respective city.[23] The business worked slowly for twenty years, following the same slow rhythm of growth of the Spanish economy.

3.2. Growth, diversification and professionalization

The change came in the early sixties when the increasing openness and integration of Spain into international markets led Spain to a quick take off.[24] Under the expansion of private consumption, SEUR began to grow significantly. Among the first customers were bookstores, car repair shops, banks and brokers, along with many businesses related to the textile industry. For the customers, the new company offered two advantages: saving time, and the opportunity to reduce inventories and storage costs. This historic time of growth coincided with the arrival of Yúfera´s son in law, Ramon Mayo, to the business.[25] Ramon Mayo gave a great boost to the company. He promoted the use of trucks instead of the railway, and the construction of a network covering the whole territory.[26]

SEUR left the railroad transport in the late seventies: it was a rigid system, subject to schedules and weight limitation. The trucks gave freedom to the Company as it did not depend on others to ensure quality. In 1978 SEUR began the first tests of courier transport by road between Madrid and Barcelona. When the system was proved reliable enough it was implemented in all the lines. The freight trucks belonged to self-employees: SEUR had no money or credit to buy them.

The road transport system was the starting point to spread the network throughout Spain. Within a few years new affiliates were created in all the Spanish provinces. As figure 2 shows in just five years, the early-1980s, almost all of the network was set up. These affiliates were born as independent family businesses. They were linked by ties of trust, a strong sense of belonging to the company and the shared commitment to quality. SEUR was also characterized by a certain lack of formality in management forms and a significant improvisation in making decisions. While the volume of business permitted, the discipline imposed by the founders and the high degree of trust between the partners allowed the company to work largely through oral agreements between gentlemen.

(Figure 2)

The move to the road and the building of the network brought a spectacular growth to the business and forced some changes in the company management. Since the mid-eighties SEUR began an intensive task of professionalization and legal reorganization.[27] In the professionalization field, the company began to employ external experts in all areas of management. In the legal field, there were two significant events: the legal foundation of SEUR España Inc., in 1984, and the transformation of the company into a franchise system, in 1997. SEUR España Inc. was established as a company owned by all the affiliates according to their turnover.[28] It was set up to represent all the affiliates and to assume all the functions that went beyond the geographical scope of each of them. In particular, SEUR España Inc. took over the management of common services such as accounting, advertising, insurance contracts, relationships with shared clients and legal advice as well as tax and labour advice of the network. The new company also took care of everything related to the SEUR brand. In 1984, the brand was already an asset of great value to the Group and it became a property of SEUR ESPAÑA Inc.[29] The franchise system was chosen as the most convenient way to give a legal framework to the relationships among the network affiliates. Of course SEUR was and is a very atypical case of franchising since franchisees are the owners and founders of the franchise company.

3.3. The arrival of GeoPost

The beginning of the 21st century brought profound changes for SEUR. The company had spent several years seeking alliances abroad that would allow more growth and international presence. Despite the efforts no significant results were achieved. The failures in the different negotiations led to a significant exhaustion between the owners of SEUR, and the idea of selling the business began to spread among many of them. The prospect of achieving substantial profits by selling were an incentive for the owners of SEUR: most had started with nothing and had faced long and hard working lives. Some had no further chance of succession within the family and this situation fed the desire to sell the company. For members who planned to stay, the entry of a large foreign partner was a way to simplify the structure of SEUR and hence the possibility of expediting decision making in key areas such as investment in logistics and new technologies. From the point of view of the economic situation, the beginning of year 2000 seemed the right time to achieve the sale. The first attempt to purchase SEUR was made by the investment company Vista Capital, a company owned by the Bank of Santander and the Royal Bank of Scotland.[30] Despite the time spent on it, the purchase transaction of the company failed in the spring of 2002.

Two reasons explain this failure: first, the complex corporate structure of SEUR that complicated the examination of accounts and the question of fixing a price for each of the franchises. On the other hand, the international economic situation worsened after the Islamic terrorist attack on the Twin Towers on September 11 2001. In this context, Vista Capital made an offer that SEUR did not accept, because it was a lower price than that offered before the September 11 events. An operation that had been announced as the largest venture capital made so far in Spain was thus frustrated.[31] After the failed attempt to sell, SEUR's owners made some changes in the legal structure of the Company, providing for other future purchase operations. In particular they changed the name of the franchisor in 2001, from SEUR España Inc. to SEUR Inc. and, above all, they modified the franchise agreement in 2003. The new franchise agreement strengthened the power of the franchisee and accentuated the unusual structure of SEUR, in which the franchisee has tended to increase its importance versus the franchisor.[32]

In 2003 there was another attempt to buy SEUR, this time led by the American company Merrill Lynch. A year later came the final assault: GeoPost entry in the shareholding of SEUR. GeoPost had tried to enter the Spanish market through a joint venture that failed with the Spanish public postal operator, Grupo Correos.[33] In 2004 GeoPost joined SEUR as an international partner first, and then as owner by buying some franchises.[34] Among the most important franchises acquired was that of Madrid. The founder of the business, Justo Yúfera, left SEUR although he was named Honorary President of the company.

In recent years GeoPost has strengthened its position in the company to nearly 55 percent of the property. The remaining 60 percent is still in the hands of the historical families that began the business. Some of them have increased their percentage of ownership by buying franchise partners. The current Corporate structure can be seen in figure 3.

(Figure 3)

4. A Network-type Business Group in a late developed economy

The SEUR case study shows an efficient alternative to the large vertically-integrated and professionally managed corporation: the Network Business Group.

Why was SEUR established as a Network-type Business Group? And, what advantages and disadvantages did this form of organization have?

4.1. Social and institutional context to foster Netwok-type Business Groups

Powell has pointed out three conditions that encourage the formation of network forms of organization: (i) the demand for speed, (i) know how and (iii) trust.[35] Powell focused his attention on biotechnological industries, and thus he believed that networks have a comparative advantage in coping with environments that place a premium on innovation products that, network business groups are well-suited for highly skilled labour force environments where participants possess a know-how that cannot be easily lent to monopoly control or expropriation by the wealthiest bidder.[36] The SEUR case study shows that the theory about what external conditions may foster network business organizations fits well, also, into less technologically intensive industries. Powell´s theory applies well to the development of the courier services in late developed economies like Spain.

On the one hand, network forms may fit businesses with low entry barriers because a network form of organization offers a way to link competitors and avoid excessive competition at the beginning of a business when the market is growing very fast and is difficult to monopolize by only one of the competitors. On the other hand, network-type business groups offer a real possibility of growth with low investment or risks. And this is especially interesting for entrepreneurs with not many possibilities of credit and investment: none of the families that began the SEUR adventure could have built the network alone. Finally, in Powell’s explanation, trust is related to the institutional and social contexts, which Powell believed were under analyzed factors that should explain network forms of businesses organization. According to Powell, certain kinds of institutional contexts, with particular combinations of legal, political or economical factors, are easily supporters of network forms, and. certain social contexts may encourage cooperation, especially when the participants of a business have a common background that make it easy to sustain network-type arrangements. This idea helps explain the history of SEUR. Recent studies on business groups dealt with this problem with the creation of fifteen country-specific patterns of Business Groups.[37] Most of them examine the degree to which political, economical and socio cultural factors influence Business Groups. As the network-type is not deeply studied in these studies, and Spain is not a country included among the analyzed cases, our study contributes to this line of research with new empirical evidences.

What kind of political and economic conditions encourage or support network firms? The environment which gave birth to SEUR seemed perfect ground for the network form of organization: a closed market, with legal protection, in a late developed economy. Until 1987 road transport in Spain was ruled by a law enacted in 1947.[38] This law was extremely protectionist and hindered the entry of foreign firms in the domestic market. It explains the freedom of SEUR to operate for years without overseas competition. As it was designed to encouraged rail transport, the law was not particularly helpful for road transport, but was enough to protect domestic courier companies. SEUR thus had legal protection in the late seventies when the network was being formed and during the company's taking off. In 1987, a new Act, called LOTT, provided a starting point in the courier market. The LOTT Act removed the subordination of road transport to railway and made the market more flexible.[39] From this moment onwards SEUR was firmly settled in Spain and Portugal and could more easily cope with competition.

If the legal and political framework helps us to understand the first stage of growth of SEUR, the Spanish economic situation offers an additional explanation. Why a network? The founders of SEUR had an original business idea, but no money or credit. In a country burdened by the lack of credit, network financing was an effective way to reduce costs by sharing and dividing expenses between the partners.

The social context adds further reasons to understand the functionality of the network-type form of business group. Following Powell, "the more homogeneous the group, the greater the trust, hence the easier it is to sustain network-like arrangements".[40] At the same time, when repeated trading occurs, there is limited need for hierarchical oversight because the desire for continued participation discourages opportunism. This was SEUR exactly: a homogeneous group in which every partner depended on the others.

Homogeneity was the result of the origins of the partners. There were three types of them: founder's family, founder's former employees and founder's friends. Relatives, employees and friends started their own family business in the area of the country entrusted to them. These partners, joined by family and friendship ties, had two other characteristics in common: they were relatively young and had no experience in the transport sector. In fact, more than half of the members were under thirty. It is not irrelevant information. The beginnings of the company were hard: twelve-hour workday and nights travelling by rough roads were part of everyday life. Only those young members could deal with these working conditions. Their academic background was limited: none of them had finished a degree and only a few had gone to University, always for a short while. Many did not even have elementary school. Their work history was varied but mostly far from the transport sector: with the exception of some truck drivers, the members of the network were painters, electricians, housewives, etc. Necessity made ties and trust grew between partners: several members came from unemployment situations and most of them risked their small savings to start the business. SEUR was his chance of survival. The only operation through verbal agreements evidenced the strength of these ties. And there was no necessity for oversight as the daily business was a permanent supervision. When a partner did not fulfil his duties the network noticed that immediately and he was expelled.

4.2. Advantages and disadvantages of a network-type Business Group in the courier market

There are four remarkable advantages in the network-type Business Group adopted by SEUR. First, the network system favoured the proximity to customers. Each partner lived in his local market and knew it perfectly. This closeness made it easy to design routes of distribution or marketing strategies. The owner heard of any incident in real time and could solve it quickly and efficiently.

Secondly, the close ties between partners facilitated the learning process. Before starting the business in a city, new members used to spend several days alongside some of the veterans. In a usually short training, the new members learned the key aspects of the business. The main lesson was the importance of speed, i.e. the importance of providing quality service. Every owner knew that SEUR did not sell just transport but time. That was a big difference because time is an intangible of immeasurable value. Another important lesson was that SEUR could transport any item. In Spain, transport companies discriminated against certain goods. SEUR instead moved it all: slot machines, donkeys and even coffins. The learning process also included marketing skills and all those related to managing the business. This possibility of learning through partners highlights the role of social relations in learning as Cope, Hamilton and Taylor and Thorpe have indicated.[41]

Thirdly, the partners developed a real “family spirit” which led them to collaborate and transfer any innovation to the network. The solidarity between partners was not only to share advances in computer systems, transport belts or vehicles, but to lend money or logistical support when a member needed.

Fourthly, the atypical franchise system adopted by SEUR kept alive the multifamily nature of this firm and it served to solve several problems related to franchising.[42] In fact, the case of SEUR shows an efficient solution to avoid free-riding in franchise chains.[43] SEUR's franchisees are the owners of the franchisor company, that is SEUR Inc., and the owners of the brand, so that all of them have tried to protect the integrity of their brand name, hence opportunism is mitigated. Moreover, the high level of interaction between partners along with the family nature of the business enabled every innovation and all knowledge and business practices to be shared among the entire network, avoiding the risk of franchisees being more involved in the day to day work than attending training sessions.[44]

On the side of disadvantages, all the problems arising from a decentralized system should be noted. The multi-family network nature of SEUR has been a valuable asset to the viability of the company. However, it has been a source of instability. SEUR is a reverse franchise. The franchisees have more negotiation power within the network because they are the owners of the franchisor company. The excessive importance of franchisees versus the franchisor has slowed decision-making. It is not easy for eighty owners to reach agreements. This problem has particularly affected key strategic decisions such as the technological modernization of the company and its incorporation into the international market. The owners, immersed in day to day business, did not always maintain an overall strategic vision. And the franchisor executives did not always have enough operational capacity to impose strategic decisions.

Perhaps one of the best examples of this problem was their slowness in making the decision to internationalize, despite being one of the pioneers in the industry.

Undoubtedly, by the time that SEUR decided to access the international market, entry barriers imposed by the first movers were very difficult to overcome: SEUR could not compete either in cost or capacity with major Couriers in the global market. The Company did not panic and gave a good example of its flexibility to adapt its strategy and business model to the times.

Indeed, the decision to settle and strengthen its presence in the Spanish market was not at all misguided. SEUR is, in comparative perspective, smaller than their international competitors, and its international role is obviously less. This has been partly the result of political and economic circumstances that differ greatly from those experienced by the big Couriers. While leaders conquered new markets in Europe and North America, SEUR adapted to the new challenges brought with the increasing openness of the Spanish economy and its incorporation into the European market. The introduction of competition in the local market made SEUR focus on defending its market share rather than achieving new international positions where leaders already enjoyed a solid position. In this way, while other Spanish companies were bought by foreign competition, SEUR was able to maintain its local business and then adapt to historical change.

As most scholars recognize, economic maturity and the global shift since the 1980s towards liberalized markets have led to the demise of groups or to their adaptation by simplifying their ownership networks and professionalizing their board and executive teams.[45] The arrival of GeoPost in SEUR has achieved this simplification because the network has been greatly reduced. The French partner has provided capital for modernization, as well as experience and international connection. With this support, SEUR has established itself as a leading courier company.

In summary, the history of SEUR highlights the contribution of family controlled business groups to the economic development of Spain, in strategic sectors relatively unknown so far, like courier services. In some institutional and market environments, like the ones we have described for Spain in the last seven decades, this type of business group may represent an efficient alternative to the large vertically-integrated corporation. Possibly the dynamism of the national market of courier services, despite great changes in the institutional rules of the game (in dictatorship, and in democracy), and the high level of trust and loyalty of the families involved in linking fragmented markets in the courier services sector, may help explain the endurance of an old business group type of organization in a modern economic activity today.

Notes:

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[2] Leff, 'Industrial Organization and Entrepreneurship'; Guillén, 'Business Groups in Emerging Economies'; Kock and Guillén, 'Strategy and Structure'; Valdaliso, 'Grupos Empresariales, marco institucional'; Barbero and Jacob, *Nueva historia empresas en América;* Colpan, Hikino and Lincoln, *Oxford Handbook of Business Groups*.

[3] Valdaliso, *Familia Aznar y sus negocios*; Díaz Morlán, *Los Ybarra*; Fernández Pérez, *Siglo y medio de trefilería*; San Román, *Ildefonso Fierro*.

[4] Tàpies, *Empresa familiar*, 11.

[5] They identify two basic types of Business Groups: the network-type in which the constituent companies adopt the behavioural principle of alliance and the hierarchy-type which are organized by the authority. Colpan and Hikino, 'Foundations of Business Groups', 18-19.

[6] Granovetter and Swedberg, *Sociology of Economic Life*; Granovetter, 'Coase revisited'; Casson, 'Cultural Determinants of Economic Performance'; Casson, 'Economics of Family Firm'.

[7] Fernández Pérez and Rose highlight the role of social networks and their contribution to the success of family business. Other papers that followed Granovetter and Casson footprints in business history are Rose, 'Networks, Values and Business'; Colli and Rose, 'Families and Firms'; Colli, Fernández Pérez and Rose, 'National Determinants of Family Firm'; Fernández Pérez and Puig, 'Knowledge and Training'; Fernández Pérez and Rose, *Innovation and Entrepreneurial Networks.*

[8] Powell, 'Neither Market nor Hierarchy'.

[9] Since the late 1980s, the distinction between courier and express activities began to disappear. The former couriers were companies providing fast and reliable delivery services, usually oriented to international market. They used to employ commercial air routes. Meanwhile, national express companies organized fleets of trucks and small aircraft without relying on scheduled air routes. So, they were able to carry large items on an urgent basis but supporting high fixed costs. Both activities, courier and express, have in common the provision of faster and more reliable transport services than the ones provided by traditional postal operators. According to the need to respond to new demands, transportation techniques were rapidly improved and couriers and express national companies began to compete in the same global delivery market: couriers started operating with owned fleets and express carriers began to use courier services where traffic was insufficient to charter their own aircraft. Campbell, *Rise of Global Delivery Services*. Throughout this article, we will take both courier and express services as parts of the same express delivery market.

[10] Oxford Economics, 'Economy Impact of Express Carriers'. This is the last report published by Oxford Economics, referring to the 2010 economic year.

[11] United Parcel Services (UPS) was founded in 1907 in Seattle and FedEx in 1971, in Little Rock (Arkansas).

[12] Deutsche Post-DHL begins its history with German operator Deutsche Bundespost and the American company DHL established in San Francisco in 1969. Deutsche Bundespost was privatized between 1989 and 1995 and changed its name to Deutsche Post. In 1998, Deutsche Post bought 51% shares of DHL. The remaining 49% was acquired in 2002. Deutsche Post-DHL was beyond the control of state on 14th of June of 2005 when the financial institution KfW Bankengruppe bought shares in this company valued at 2 million euros. DHL Express is the division responsible for courier. Savignano, *Multiple Identities of an Enployer,* 38-40. TNT, which was established in 1946, also belongs to this group of companies. In 1996 TNT was acquired by the Dutch national company which had been privatized in 1986 renamed PTT Nederland and, since 1994, Royal PTT Nederland (KPN). In 1998, the postal division of the company (including TNT) have demerged from KPN and listed separately on the Amsterdam Stock Exchange as TPG (TNT Post Group). In 2005 TPG renamed itself to TNT and, one year later, sold its logistics division to Appolo Management. Since then, TNT focused its business in courier and postal activities. In 2011, it

was decided to separate both divisions. This transaction implied the creation of a new express carrier, TNT Express.

[13] The American operator UPS announced the acquisition of TNT Express, the express carrier subsidiary of the Dutch group, in March 2012. Recently, this acquisition failed. In January 2013 the European Commission announced that it was working towards proposing a prohibition decision, pointing out that the merger would mean a threat to competition in several European markets.

[14] Tucker, *Fundamentos de Economía*, 39.

[15] Universal Postal Union, *Acquisitions, Mergers and Strategic Alliances*.

[16] A. T. Kearney, 'Estudio del Mercado de Transporte'.

[17] In 2010, the five top companies in the business owned a joint market share of 44.3 per cent and the ten top ones of 63.2 per cent.

[18] Munuera Alemán and Rodríguez Escudero made a first classification that we have used and modified. Munuera Alemán and Rodríguez Escudero, 'Estrategias de Marketing', 529.

[19] DHL Express Iberia, subsidiary of the German group, appeared from the integration of the Spanish carriers Danzas and Guipuzcoana.

[20] Correos Group, was formed after the merger of the former Correos with its subsidiaries Chonoexprés, Correos Telecom and Nexea. Bahamonde, Martínez and Otero, *El Palacio de Comunicaciones*.

[21] Tàpies, San Román and Gil, *SEUR. 70 Años de Entrega*, 17-39.

[22] Justo Yúfera was born in Barcelona in 1920. His family moved to France when he was a child. He lived much of his youth between France, Cameroon and Guinea. Jorge Fernández was also born in Barcelona. Fernández also belonged to a family without financial resources. Jorge Fernandez left SEUR in 1985. Yúfera remains as Honorary President of SEUR. Interview with Justo Yúfera Cerdán, SEUR's founder (28/10/2010). 'Al habla con Jorge Fernández', 14. 'Al habla con Justo Yúfera', 14.

[23] 'Al habla con Jorge Fernández', 14-15.

[24] From 1959 to 1975 Spain experienced the most intense and uninterrupted growth in its history. Gross domestic product increased in real terms at an annual rate above 7 percent. Serrano Sanz and Pardos Martínez, 'Años de Crecimiento del Franquismo', 369.

[25] Interview with Ramón Mayo, ex Vice-President of SEUR, President of SEUR Foundation and owner of Alicante franchise. (21/01/2010).

[26] Several partners have confirmed the role of Mayo. Interview with Justo Yúfera, SEUR's founder (28/10/2010); Interview with José Fuentes, former owner of Bilbao franchise (21/03/2011); interview with Manuel Valle, ex president of SEUR (may 2011); interview with Julián Recuenco, Vice President of Quality and Operations of SEUR (11/02/2011).

[27] Interview with Fernando Rodríguez Sousa, Ex - CEO of SEUR (15/02/2011).

[28] SEUR España Inc. was formally constituted on December 21st, 1984. The headquarters were in Madrid. SEUR Organization Statutes (1987).

[29] Formerly, the brand belonged to the founder Justo Yúfera.

[30] Interview with Carlos Sanza, director of the Corporate Legal Advice Department of SEUR (3/03/2011); Interview with Daniel Fernández de Lis, former director of the Corporate Legal Advice Department of SEUR (14/04/2011).

[31] Interview with Fernando Rodríguez Sousa, Ex – C.E.O. of SEUR (15/02/2011). The Spanish press published the new on April 25, 2002. It was published in *Expansión*, *Cinco Días*, and in all national newspapers such as ABC, *La Vanguardia* and *El País*.

[32] Interview with Carlos Sanza, director of the Corporate Legal Advice Department of SEUR. (3/03/2011); interview with Daniel Fernández de Lis, director of the Corporate Legal Advice Department of SEUR (14/04/2011). 'Franchise agreement (2003)' issued by the Corporate Legal Advice Department.

[33] Interview with Yves Delmas, President of SEUR (25-2-2011).

[34] The purchase of the company is covered in detail in the Proceedings of the Annual General Meeting and in the Proceedings of the Board of Directors of the Company that we have consulted.

[35] Powell, 'Neither Market nor Hierarchy', 323-327.

[36] Powell, 'Learning from collaboration', and Powell et al., 'Network Dynamics and Field Evolution'.

[37] *The Oxford Handbook of Business Groups* includes case studies from Japan, Taiwan, South Korea, China, Thailand, Singapore, India, Argentine, Brazil, Chile, Mexico, Israel, Turkey, Russia and South Africa.

[38] Law 27/12/1947, BOE, December, 28th.

[39] Law 16/1.987, July, 30th, BOE July, 31st.

[40] Powell, 'Neither Market nor Hierarchy', 326.

[41] Cope, 'Toward a Dynamic Learning'; Hamilton, 'Entrepreneurial Learning in Family Business'; Taylor and Thorpe 'Entrepreneurial Learning'.

[42] There is an extensive literature explaining why a firm uses franchising as an entrepreneurial strategy rather than company ownership and the consequences of these decisions. From the agency theory see Brickley and Dark, 'The choice of Organizational Form'; Caves and Murphy 'Franchising'; Fama and Jensen 'Separation of Ownership and control'; Jensen and Meckling, 'Theory of the Firm'; Lafontaine 'Agency Theory and Franchising'; Combs and Ketchen, 'Why do Firms use Franchising?'; Lafontaine and Slade 'Vertical Integration and Firm Boundaries'. Oxenfeldt and Kelly, and Carney and Gedajlovic explain franchising decisions from the resource scarcity perspective. Oxenfeldt and Kelly, 'Successful Franchise Systems' and Carney and Gedajlovic, 'Vertical Integration in Franchise Systems'.

[43] The more valuable the brand name, the greater the risk of opportunistic franchisees. Norton, 'Franchising, Brand Name Capital'; Michael 'Effect of Organizational Form'.

[44] Knowledge is an important asset in the franchising context and its learning process requires an investment of time by franchisees not always willing. Specifically, tacit knowledge is time-consuming and requires observation, demonstration and experience. Hansen, 'The Search-Transfer Problem'; Hansen, 'Knowledge Networks'; Von Hippel, 'Sticky Information'; Zander and Kogut, 'Knowledge and Speed of Transfer'.

[45] Colpan, Hikino and Lincoln, *Oxford Handbook of Business Groups*, 7.

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