The development and character of management in Spain

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The Development and Character of Management in Spain

by

Simon Mowatt

A Doctoral Thesis submitted in partial fulfilment of the requirements for the award of Doctor of Philosophy – PhD of the Loughborough University.

MAY 1998

© by Simon Mowatt, 1998
For Mum, Dad, Sasha, Tiny,
and especially Aunt Ede.
ACKNOWLEDGEMENTS AND LIABILITY

Special acknowledgements
As a PhD is essentially a collaborative project, the PhD student is naturally indebted to those who helped develop, support and inform the research project. In particular, thanks and acknowledgement must be given to those who made the project a reality, and to the supporting institutions that provided the research framework and the necessary resources. In the first group, I would like to thank my supervisor, Professor Peter Lawrence for championing the project. Peter was constantly on hand for intellectual support and inspiration, readily lending the author his wealth of international research experience, which is so vital in comparative projects. Peter's unswerving energy was also vital at the institutional level, where his support for the project was instrumental in securing the numerous scholarships that saw the project to completion. On a personal level, few PhD students can have had (from the author's perspective) as good a relationship with his supervisor, and the author particularly appreciated Peter's morale raising visit whilst stationed in Spain. Professor Ian Morrison, as project director, was also invaluable in giving advise and assistance, especially when the project ran into financial trouble. In addition to my supervisor, I must thank all the academics that gave their time to me, answering enquiries, giving opinions, or directing the author. At the risk of leaving out anyone, the author extends his thanks to: Professor John Blake (University of Central Lancaster), for introducing me to Spanish faculty and lending his opinions and experience to the project; Dr. Vince Edwards, (Buckinghamshire College of Higher Education) for discussions as to business research and his useful comments upon the paper presented by the author in the initial stages of the project; Profesor Oriol Amat (Universitat Pompeu Fabra), for hosting the author's stay at his institution; Catedrático José Molero (Complutense), for some useful comments and contacts at the start of the project; Profesor José-Maria Aquila Real (Complutense), for explaining Spanish business culture to an outsider, and introducing the author to el tapeo. Also deserving thanks in helping the researcher establish an understanding of comparative issues are Professor Max Boisot, and Profesor Albert Carreras. Another important source of strength that the author drew upon was the interaction with other PhD students working in comparative

Another important contribution was made to the project by all those that helped the author with Spanish language; whether help with written, spoken or translations. The ISLA (Instituto Salamantino de Lenguas Aplicados) deserves special praise, as do the author’s many intercambios (language exchange partners). My host family in Salamanca gave freely of their scant leisure time improving the author’s pronunciation, in addition to Joan Simon, Ester Ballesteros, and Maria’s help with language and discussions of Spanish culture were a special fund of knowledge.

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The research was actively sponsored as recipient of the annual (1995) John Guest Phillips Travelling Scholarship. The Scholarship made two extended visits to Spain possible.

---

1. Spanish titles used.
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Liability
As in any cross-cultural comparative qualitative project, there may be unintentional inaccuracies and differences of interpretation. The author has strenuously tried to ensure that all such problems were minimised. Thanks go to the academics, particularly Peter Lawrence, and interview subjects, who tried to ensure the author’s accuracy. Any remaining errors are of course the responsibility of the author.
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<td>AI</td>
<td>Acuerdo Interconfederal (national union-employer agreement, 1984)</td>
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<td>AIE</td>
<td>Agencia Industria del Estado (heavy industry state holding company)</td>
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<tr>
<td>AMI</td>
<td>Acuerdo Marco Interconfederal (union-employer framework agreement)</td>
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<tr>
<td>BUP</td>
<td>Bachillerato Unificado Polivalente (Baccalaureate exam, 14-16 year olds)</td>
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<tr>
<td>CAF</td>
<td>Construcciones y Auxiliar de Ferrocarriles Train manufacturer</td>
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<tr>
<td>CC.OO</td>
<td>Comisiones Obreras (Workers' Commissions)</td>
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<tr>
<td>CEOE</td>
<td>Confederación Española de Organizaciones Empresariales (Spanish Employers' Confederation)</td>
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<tr>
<td>CGT</td>
<td>Confederación General de Trabajo (anarchist union)</td>
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<tr>
<td>CIG</td>
<td>Central Intersindical Gallega Galician workers' union</td>
</tr>
<tr>
<td>CNT</td>
<td>Confederación Nacional de Trabajo (pre-Civil War anarchist union)</td>
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<tr>
<td>CSI,</td>
<td>Corporación siderúrgica, state steel company</td>
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<tr>
<td>COU</td>
<td>Curso de Orientación Universitaria, pre-university course</td>
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<tr>
<td>EC</td>
<td>European Community</td>
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<tr>
<td>EGB</td>
<td>Educación General Básica, basic education course.</td>
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<td>ELA-STV</td>
<td>Sindical Euzko Laguillen Alkartasuna-Solidaridad de Trabajadores Vascos Basque workers' union</td>
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<tr>
<td>ESADE</td>
<td>Escuela Superior de Administración y Dirección de Empresas Business School</td>
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<tr>
<td>ESO</td>
<td>Enseñanza Secundaria Obligatoria, secondary education framework</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FEDEQUIM</td>
<td>Catalan chemical sector trade association.</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>Formento</td>
<td>Formento de Trabajo Nacional Catalan employers' association</td>
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<tr>
<td>FP</td>
<td>Formación Profesional vocational training course</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>Grupo Patrimonio</td>
<td>Patrimonio, state holding company</td>
</tr>
<tr>
<td>HQ</td>
<td>Headquarters</td>
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<tr>
<td>I+D</td>
<td>Investigación mas Desarrollo R&amp;D (Research and Development)</td>
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<td>IEA</td>
<td>International Association for the Evaluation of Educational Achievement</td>
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<tr>
<td>IESE</td>
<td>Instituto de Estudios Superiores de Empresa Business School</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>INI</td>
<td>Instituto Nacional de Industria State holding company</td>
</tr>
<tr>
<td>LODE</td>
<td>Ley Orgánica del Derecho a la Educación law on the Right to Education (1985)</td>
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List of Initials and Acronyms


LRU  *Ley de Reforma Universitaria* University Reform Law

MBA  Master of Business Administration

MNC  Multinational company

NATO  North Atlantic Treaty Organisation

OECD  Organisation for Economic Co-operation and Development

OSE  *Organización Sindical Española* Vertical syndicates

PC  *Partido Comunista* Communist Party

PIMEC  Regional Catalan organisation for SMEs.

PP  *Partido Popular* People's Party, present government (1996 – present)

PSOE  *Partido Socialista Obrero Español* (Spanish Workers' Socialist Party) government 1982 - 1996

PYMES  *Pequeños y Medianas Empresas* SMEs

R&D  Research and Development

SEPI  *Sociedad Estatal de Participiones Industriales*, state holding company.

SMEs  Small and Medium Enterprises

Teneo  State holding company

UB  *Universitat de Barcelona*

UCD  *Unión de Centro Democrático* (Democratic Centre Union) government 1977-1981

UGT  *Unión General de Trabajadores* (the General Workers' Union)

UK  United Kingdom

UN  United Nations

USO  *Unión Sindical Obrera* (Syndical Workers' Union)
ABSTRACT

The study seeks to characterise management in Spain in general. It seeks to explain, within a social cultural framework, how management in Spain differs in values and structure from that in the United Kingdom. The basis of the study is empirical evidence largely derived from interviews with managers practising in Spain.

The study concludes that there are underlying similarities in management values across regions and industries in Spain that are different from those prevalent in Britain. Of special interest are the prioritisation of human individual values, the nature of the authority structure and the principal methods of communication which managers choose to employ.

The study found that management in Spain also has unique features when compared to Great Britain, namely:

- Personal qualities are paramount in managerial relationships, despite more emphasis upon technical and management qualifications than previously in Spain.
- Cultural continuity through the management selection process.
- A structure of authority relations independent of the formal organisational hierarchy.
- The use of complex business and personal networks.
- Workplace informality, and a distinct 'human face' to management, in contrast to the authoritarian model of office relations often suggested in the literature and in the past in Spain.
- Distinctive career paths combining managerial generalism, flexible functional and inter-company mobility with low geographic mobility.
- Strong regional loyalties impeding geographic mobility and creating human resource allocation conflicts for business and management.
- Creative management, as delegation enables quick decision making in Spanish organisations, as does the typically small company size in relation to the European average.
- Significant differences in the role of some business functions because of the constraints of the Spanish political and legal business framework.
KEY WORDS

- Comparative management
- International business
- Spanish business culture
- Management in Spain
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A Note on Methodology

A NOTE ON METHODOLOGY

The Aims of the Study
The purpose of the study is to offer a general picture of management in Spain, drawing attention to features that are notable, distinctive, or different to those in Great Britain and Western Europe. The study aims to present a characterisation of management in Spain in the late 1990s, and to explain distinctive features within the context of the development of Spanish business culture.

Why Spain
Since Spain joined the European Community (EC) in 1986, it has become increasingly apparent that despite being the fifth largest European economy, there has been relatively little academic study of business in modern Spain by outsiders, and a paucity of empirical work on Spanish management and organisation (Anzizu, 1989; Bosoit, personal correspondence, 1995). The majority of the EC countries have been subject to several monographic studies, such as Management in France (Barsoux and Lawrence, 1990; 1997), Management and Society in Sweden (Lawrence and Spybey, 1986) and Le Management à l'Italienne (Vidal, 1990) to name but three. Except for formalistic accounts of the legal Spanish business framework, the country has been either largely overlooked or else combined with Italy, Portugal and France as a 'Latin' or 'Mediterranean' country. André Laurent (Laurent, 1983) excluded Spain from his European business values survey, and Spain's inclusion in the seminal Hofstede study (Hofstede, 1980) was with a small sample. Other studies that have included Spain, either in its own right or as a 'Latin' nation, have often been based upon literary sources rather than survey data or fieldwork (Ronen and Shenkar, 1985; Boisot, 1993). In view of Spain's importance within the EU, and the high number of international companies operating in Spain, there is a definite need for more research.

A Note on Methodology
The research draws upon various techniques designed to construct a characterisation of Spanish management within a cultural and institutional framework. The main methodologies used have been developed and used extensively by Professor Peter
Lawrence in his comparative studies of business culture worldwide. The methodology has been used repeatedly and has a proven track record of empirically based research. In essence the research draws upon the methodologies used by Peter Lawrence in his publications *Managers and Management in West Germany* (Lawrence, 1980), and *Management in France* (Barsoux and Lawrence, 1988; 1997).

The central methodology used was:

- Company visits. Semi-structured interviews with selected practising managers in key companies, and periods of non-participatory observation inside companies within Spain.

To lend greater context to this approach, and to aid the development of an accurate picture of the nature of Spanish management, interviews were also undertaken with both Spanish and British management academics with experience in the field. Extensive use was made of a wide variety of supporting sources.

Sources

Sources for the project take five major forms:

- In depth semi-structured interviews with senior managers, forming the core of the research. The interviews were typically of 90 minutes duration, and conducted either in Castilian or English.
- Observational periods spent by the author within a number of business organisations.
- Interviews and discussions with management academics, government institutions, business consultancies and employers' organisations.
- Use of public information, such as published case studies of Spanish companies and the Spanish business and management press.
- A literature review and analysis of background information from tertiary sources, such as written material pertaining to Spanish history, economy, business, culture, and society. This material gave added context to the interview data.
Language

At this point, it would be useful to describe how preparations were made to conduct the field interviews in Spanish business organisations.

The majority of the interviews undertaken for the empirical fieldwork were in Castilian Spanish. Foreign language skills in Spain, especially outside the major urban areas, are not as highly developed as in the mainland Northern European countries. It was decided that the most useful language for research purposes was Castilian Spanish, as the majority of managers in Spain speak it\(^1\), even if as a second language to their regional or native language\(^2\). To interview the key managers required for the project, the author undertook a managed language development programme to ensure that language barriers would not be an obstacle to the research. The author did not speak Castilian prior to commencing the research project. The language programme was constructed as follows:

- A one-month intensive Castilian Spanish course at the *Instituto Salamantino de Lenguas Aplicados* (ISLA), Salamanca, Spain. Whilst studying, the author held practice interviews with several local business managers to help develop a business vocabulary, practice interviews in Castilian, gain practical knowledge of business issues in Spain and to help develop later interview based techniques. During this period the author lived with a Salamantino family to help reinforce the language classes practical lessons.
- An ex-curricular university course at Loughborough University, 18 months advanced study.
- Constant interaction with Spanish *intercambios* (language exchange partners), the majority of whom were practising managers, or involved in management education.
- Consultation with Spanish management academics and *intercambios* to ensure that translation of written material was appropriate and accurate. Any ambiguities or

---

Some managers interviewed for the project were foreign nationals working in Spain, especially in the case of foreign owned MNCs. In these cases Castilian was used as a working language if the manager did not speak English.

This proved to be the case during the empirical research. For many Catalan managers, for example, Castilian was their second language. In fact, only Catalan managers used their natal language at work and home. Basque and Galician managers interviewed for the project spoke their region's language as a second language. No managers expressed a desire not to speak
A Note on Methodology

colloquialisms that needed clarification were discussed with native Spanish speakers.

All care was taken to ensure the accuracy of translation, and ensure that those interviewed have been represented fairly and in context. Every effort was made during the interviews to clarify any colloquialism, technical language, or ambiguities. Any remaining discrepancies or differences of interpretation are the responsibility of the author.

The Sample
Interviews were held with over 60 practising Spanish managers.

In addition to this, supporting interviews were held with:

- Spanish managers no longer working in Spain.
- Foreign national managers both working in their native country (in all cases Britain), and working in Spanish companies or MNCs based in Spain (several nationalities represented).
- Spanish and British management academics.
- Spanish employers’ association and trade association managers.
- Spanish business consultants.
- Spanish local government officials with interest in business or management training.

In addition to this interview based information the author used his data sample from the Survey in International Business Values

Managers were selected by interview from a wide variety of Spanish businesses. The aim was to depict management in Spain in general, and to try to discern if there were cultural traits in Spanish management across industries and regions. We therefore

---

3 Castilian. In their opinion, business professionals did not usually have nationalistic prejudices against using Castilian as a lingua franca.

The author participated in the survey (unpublished and work in progress), translating the questionnaire into Spanish, defining the Spanish sample and conducting the interview survey. Over 150 questionnaires were sent out, and a response rate of 68% was achieved. Loughborough University undertook data processing.
examined a large segment of Spanish industry, with the aim of disentangling industry or region specific behaviours.

Companies: Industrial Governance
The sample included companies with various forms of governance. With the importance of the state sector, and the dominance of multinational companies (MNCs) in Spain, as well as a significant number of family owned large and medium sized businesses, it was important to include companies from each sector by ownership. Thus the sample included:

- Spanish owned MNCs.
- Spanish owned national companies.
- Spanish owned regional companies.
- Foreign owned MNCs based in Spain.
- Spanish family owned businesses.

Several of these categories overlapped.

The sample specifically included:

- Companies that had been in the state sector and that had been privatised.
- State sector companies that were in the process of privatisation.
- Companies that were still in the state owned sector, including:
  - Companies in the rump INI (the industrial state holding company) group, the AIE.
  - Companies in the profitable ex-INI group, Teneo/SEPI.
  - The *Patrimonio* group companies (companies in which the state maintains a significant, frequently controlling interest. See chapter on the INI for more detail).

Companies: Sectors
The emphasis of the study was on companies in the manufacturing industry. Typically these companies have the full range of departments and functions, have relations with

---

4 A group that overlaps with the first three groups above.
supplier, distributors, labour and with other companies, and thereby yield a general
view of management concerns. To provide context for comparisons, several
manufacturing companies in the same sector were visited which were either in
different geographic regions, or had different governance forms (for example, a
Spanish chemicals company and a multinational chemicals company).
In addition to the core of manufacturing companies the sample included a full range of
other companies, including financial institutions, retailing companies, biotechnology
and pharmaceutical companies, and food processing companies (including
viticulture). Several of these companies were chosen because the sector is particularly
significant in Spain.

Managerial Sample
To reinforce interlocking testimony managers were chosen from two primary
functions, production managers and human resource managers. These functions were
chosen because both are at strategic locations within a company, being well placed for
a ‘global view’ of the company as they have frequent contact with the rest of the
organisation, including both management and labour. Many of these managers were
departmental heads at group level. In addition interviews were held with managing
directors (including owner-managers); company presidents; financial managers;
marketing managers; research and development managers; and logistics managers.

Interlocking Testimony
Spanish managers’ career paths were taken into account during the interviews. We
found that ‘high-flyers’ frequently had experience in several Spanish regions, and
occasionally abroad. Typically, Spanish managers interviewed had worked in several
different functions, and in different companies. Managers therefore had experience of
a variety of companies, posts, and functions with which to reinforce the conclusions
drawn from the interviews and company visits. It was possible to build a coherent
picture of management in several regions, industries, and functions via the
interlocking testimonies of the many managers interviewed. The nature of the
manager’s career progression gave the interviews a built-in variety.
Interview Breakdown

The following table (Table 1) gives an indication of the managers interviewed for the study. It must be remembered that some managers were interviewed twice (or more) to give the study a longitudinal measure. Therefore the number of separate interviews with managers is higher than the number of managers interviewed in total. Some of the categories may overlap (for instance, some management academics are also practising managers in large Spanish corporations). This table gives an idea of the range of managers interviewed, but as mentioned many Spanish managers have wide managerial experience outside of the area in which they were working in when interviewed.

<table>
<thead>
<tr>
<th>Company directors and board level</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and corporate planning</td>
<td>10</td>
</tr>
<tr>
<td>Human resource and personnel</td>
<td>18</td>
</tr>
<tr>
<td>Production and plant managers</td>
<td>18</td>
</tr>
<tr>
<td>Production managers, group level</td>
<td>6</td>
</tr>
<tr>
<td>Research and design</td>
<td>3</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

Table 1 Breakdown of participating managers working in Spain by function

In addition to Spanish national managers currently working in Spain, several supporting interviews were held with managers outside Spain, foreign national managers in Spain, representatives of local government, business academia, trade associations and business consultancy. Table 2 gives a breakdown of these interviews.

<table>
<thead>
<tr>
<th>Spanish management academics</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>British management academics</td>
<td>8</td>
</tr>
<tr>
<td>Spanish Managers practising in the UK</td>
<td>3</td>
</tr>
<tr>
<td>Foreign Managers practising in Spain</td>
<td>3</td>
</tr>
<tr>
<td>Government, local government, trade associations and business consultancy officials</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

Table 2 Supporting interviews

Table 3 gives an indication of the participating companies by ownership. It must be noted that a significant number of the companies in the foreign owned MNC category had been very recently acquired before, or even during, the undertaking of the study.
Likewise, the process of privatisation has seen several companies move from the state to private sector since the interviews were conducted.

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spanish private companies</td>
<td>23</td>
</tr>
<tr>
<td>MNCs</td>
<td>22</td>
</tr>
<tr>
<td>Spanish family owned</td>
<td>7</td>
</tr>
<tr>
<td>Spanish state owned (patronal group, Téneo and SEPI)</td>
<td>3</td>
</tr>
<tr>
<td>Spanish state owned (AEI)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
</tr>
</tbody>
</table>

Table 3 Participating companies by ownership

The following table (Table 4) gives a breakdown as to the number of companies participating with the study in each sector.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and finance</td>
<td>4</td>
</tr>
<tr>
<td>Automotive sector manufacturers, including suppliers and design</td>
<td>14</td>
</tr>
<tr>
<td>Construction</td>
<td>4</td>
</tr>
<tr>
<td>Chemicals and pharmaceuticals</td>
<td>9</td>
</tr>
<tr>
<td>Manufacturing industry</td>
<td>10</td>
</tr>
<tr>
<td>Food industry, including wines and spirits</td>
<td>10</td>
</tr>
<tr>
<td>Utilities</td>
<td>2</td>
</tr>
<tr>
<td>Publishing</td>
<td>4</td>
</tr>
<tr>
<td>Plastics</td>
<td>3</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3</td>
</tr>
<tr>
<td>Retailing</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4 Participating organisations and companies by sector

*Chance in Management Research*

Conducting successful management research is often as dependent upon the good will of managers and companies as it is upon a well designed research plan. In addition to this, luck and chance play a part in opening opportunities to the observant researcher.

This study benefited enormously from the continued good will of Spanish managers, a fact that is significant in itself. Spanish managers also supported the project because they were aware of the lack of empirical work on Spanish organisations.

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5 By participating it is meant that managers or individuals consented to be interviewed for the study. The amount of commitment by companies and individuals varied. Some managers of companies were interviewed as individuals, whilst many companies gave direct support to the project as organisations.
Observation based and interview research is more prone to unexpected developments than survey based methods (a good description of the conduct of interview research is contained in Barsoux, 1988: chapter 3). It is the researcher's task to minimise any problems that this creates and transform setbacks into new research opportunities. For this the researcher needs adequate preparation and experience. The author thereby undertook a preliminary programme of fieldwork-based research to develop skills and experience and act as pilot studies for later fieldwork. This study comprised of three major parts:

- The development of an observation and interview based research project for the NatWest Bank (Mowatt, 1994).
- Several company visits to businesses in the Great Britain.
- Pilot interviews with British managers with experience of managing Spain in Great Britain, and with Spanish managers in Spain (in conjunction with practice interviews developing language skills for business interviewing).

**Interview Structure**

The form of interview used was semi-structured interviews. That is to say that all the interviews had a common core of questions designed to shed light upon the main research aims, and to ensure consistency throughout the interview sample, and potentially build up supporting evidence by interlocking testimony. The common core of questions included such issues as:

- What is the social formation of managers in Spain.
- What is the basis of management authority.
- What are the habitual problems recurrent in Spanish management.

The interviews aimed to cover the core questions in a flexible way. The interviews were designed to pursue issues that came up in response to the common questions. Questions were deliberately open ended in order to force discriminating choices from the managers. Examples of such value driven questions are:
• When recruiting managers into your department, what are the most important requirements you are looking for?
• What is the most important decision that you have taken in the last 6 months?
• What are your priorities in the post?

An example of pursuing issues derived from the core questions would be to ask managers to define the terms with which they answer the question. In the case of the first question, a recurrent response was that "personal qualities" are important. The issue of what defines "personal qualities", how they are manifested, how they are derived, and in what way are they important therefore become viable issues to pursue.

The Format of the Thesis
The thesis is arranged to set out the development of the management in contemporary Spain, starting with the macro level determinants of the business culture. Section I commences with political, social and economic development. From this the study focuses upon aspects of the Spanish environment that have had a particular impact upon the development of management, such as the importance of the state sector and labour market development. This format sets the context for section II, which explores micro-level issues and depicts management features that are distinctive in the Spanish business culture and management practice.

Each chapter follows this format, starting with broad macro-level determinants and moving to an explanation of how this impacts on management in general, and also on managers as individuals. In this way it is hoped that the reader is drawn into the discussion and is able to understand the specific peculiarities of management in Spain within the context of their development.
Section I

THE BACKGROUND TO MANAGEMENT IN SPAIN
CHAPTER ONE: INTRODUCTION TO SPAIN

This chapter offers basic information about Spain, in terms of geography and population, and then proceeds to give a basic description of Spanish history in order to provide context for the following study. Spain is the European Union’s (EU) third largest country by area, and has a stable population of 40 million. The land is one of extremes, with great regional differences in temperature, rainfall and population. Spain is now a secure democracy, a constitutional monarchy, and an established member of the EU, having joined in 1986, the United Nations (UN), NATO (North Atlantic Treaty Organisation), and the OECD (Organisation for Economic Co-operation and Development). Spain is the fifth largest European economy, and has experienced over thirty years as one of Europe’s fastest growing economies. Spain is, in short, a paid up member of the richer industrialised nations. Despite this, Spanish history has been extremely turbulent, and Spain has had a unique development. Whilst access to Spain from mainland Europe is blocked by the Pyrenees, continental Africa is only twelve miles away at the nearest point, and with an eight hundred year occupation by the Moors, Spain underwent a very different experience to most European countries. Spain has been isolated from Europe by geography, history and temperament. The mountainous geography of Spain gives rise both to its isolation, and for a national mentality formed in the extremities of alpine life. Spain is second only to Switzerland in having the highest average altitude in Europe.

Spain’s recent history also is different from that of the majority of its EU neighbours. Spain participated in neither of the great European wars (1914-1918 and 1939-1945) this century. Instead, the country experienced bloody Civil War (1936-1939), and then entered a long period of isolation. As late as 1963 Spain was still classed as a developing nation by the UN.

This unusual development has given the Spanish economy several distinctive features in business management. In addition to this, Spanish management reflects the different cultures within Spain, and managers have different priorities to managers in Great Britain. This study attempts to shed light upon these differences, and to account for them within their historical development.

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6 Spain was given seven years to come into line with EC legislation. Spain became a full member in 1993.
A Historical Note
Spanish political history in the modern period (from the eighteenth century) is complex, full of contradictions and fast moving political changes. This thesis cannot attempt to describe the rich complexity of the development of Spanish politics. The emphasis here is to signal the main development that, in the authors view, were to influence the development of business and management in Spain today. In doing this, the forthcoming historical introduction is brief. The author encourages the reader to read the bibliography for an introduction to many of the fine texts, such as those by Raymond Carr (1980, 1983a, 1983b) for an introduction to Spanish political history.

Nations and States: Born from Conflict
Modern Spanish history begins with the reconquista (reconquest), the fight to liberate Spain from the Islamic Moorish invaders who had invaded the Iberian Peninsula in 711 AD. The ‘Moors’ themselves were not a race, but represented different North-African tribes and nations. What unified them was the Islamic faith, and they were to invade in distinct waves over the next eight hundred years of Spanish occupation. Moorish society was an authentic Iberian form of Islamic rule, and varied widely over the period, from devolved autonomous rival kingdoms engaged in internecine warfare, to periods of centralist absolutism.

Indigenous resistance to the invader was to start in 727 with the founding of the Kingdom of Asturias, and to progress intermittently as the growing Christian kingdoms of northern Spain also wasted resources fighting each other. The first European religious crusade in 1048 reflected and inflamed growing hostility to ‘infidels’, and provided a framework for unity. By the eleventh century the Christian lands had taken the name Castile (Castle) from their defensive frontier. In reaction to the Moorish offensive by the Almohads, the Christian Kingdoms of León, Navarra and Aragón counterattacked, and, fuelled by the spirit of the crusades effectively broke Islamic rule in the Iberian peninsula. The Moors were contained in Granada and the south coast. The feudal nature of the Christian kingdom states waging war against Islam ensured that renewed conflict between them prevented a central authority from firmly establishing itself, and also leached their resources. By the thirteenth century they had failed to capitalise on their rapid gains, and had turned their attention to power struggles over Portugal.
Introduction to Spain

The eight centuries of conflict against the Muslim occupancy created a xenophobic reaction against foreigners, yet because of the regional nature of resistance, failed to generate an overarching national unity. Liberated regions maintained strong clan associations, and themselves had to be conquered to some degree. Intense regional identities, fostered by periods of changing rule, were set. The traditional Aragonese social contract *fueros* (charters) illustrates the independent spirit of local loyalties to the *patria chica* (little fatherland):

We, who are as good as you are, swear to you, who are no better than we, to accept you as our king and sovereign lord provided you observe all our statutes and laws; and if not, no.\(^7\)

The pattern of Christian resettlement of 'liberated' lands in this period gave largely isolated communities differing loyalties, rights, laws and alliances, which became embedded and hampered the establishment of central administration, and had the implication that law was perceived as regional rather than external. This pattern of resettlement was to set cultural foundations that would continue to underlie Spanish society. The pattern of noble landowners owning the large liberated estates (*latifundia*) was to remain a significant economic feature that would ultimately contribute to Spain's slow industrialisation. So to would the ingrained feudal social values that gave authority to the nobility, and was firmly against manual labour and trade (Carr, 1980).

Eventually, Castile became dominant within the Christian states, and the union of Castile and Aragón was cemented in 1479 by the marriage of the *Reyes Católicos* (Catholic Monarchs), Fernando V of Aragón (1479-1516) and Isabella I of Castile (1474-1504). The model of kingship was absolutism fired by religious zeal – the monarch as the ultimate authority. This rationale would counter the development of contractual government, which may have stimulated bureaucracy and the creation of a modern state. Instead, the era of Christian zealotry began the following year, with the beginning of the inquisition. Crusade ideals were achieved in 1492 by a threefold victory:

---

\(^7\) Quoted in Boisot (1993) p.206
First, Spain finally drove the Moors from Granada (and Spain)

Second, the religious victory was carried to its logical conclusion by the expulsion of Jews and Arabs

Third, the discovery of the New World opened up a new market for the Catholic faith

From this point on Spain effectively turned against foreigners, and developed an internal perspective. The discovery and exploitation of the New World lands was driven by the internal demands of an inward looking mentality, and thus was not orientated to the development of trade, but to extraction and exploitation.

By the eighteenth century the Spanish had inherited the rule of the Holy Roman Empire, and South American exploitation had made Spain rich. However, the royal desire to centralise control and to expand territory, the initial stimulus to the development of a bureaucratic state, was hampered by two problems:

- A lack of capital: the expansionary ambition of Spain’s Golden Age was beyond its budget. The economy was based upon resource extraction (principally from the New World), rather than upon either agriculture or industry. This led to:

- A state riven by weakness and inconsistency. A weak, yet autocratic, centre became characteristic of Monarchical rule. This undermined the running of the administration, (itself hampered by the arbitrary power of the king), a vicious circle wherein administration was insufficient to build capital, and capital insufficient to create administration (Boisot, 1993).

A symbol of the arbitrary nature of the Spanish monarchy, and the depth of the problems facing modernisation in Spain, was Felipe II’s arbitrary decision to found a new national capital in 1561. The new town, Madrid, was meant to unify the country and be the centre of administration, but effectively created a court nobility driven by status and patronage. A protracted serious of wars and conflicts further drained resources. Uprisings in the merchant empire of Old Catalonia and the Basque regions underscored that these regions had not been dominated long by the Moorish invader, and had strong identities stretching back to before Muslim rule. Portugal too was in revolt, and gained independence in 1640. Further decline followed as the costly War...
Introduction to Spain

of the Spanish Succession (1700-1713) ended with Spain under the French influence of the Bourbon monarchy. This entanglement led to involvement in the French Revolutionary and Napoleonic Wars (1792-1815) ending with Spain reduced to a marginal European power, without the colonial possessions that had made her once powerful. Loss of the South American colonies during the nineteenth century revealed the instability of the economy and the lack of agricultural and commercial development. As a result the economy was further biased towards the more trading and industrially based regions of Catalonia and the Basque Country. The loss of the colonies hastened the subsequent economic decline of the Atlantic trade oriented southern Spanish cities such as Seville, Huelva and Cadiz.

Whilst Spanish nationalism had been boosted by the peninsula occupation under Napoleon, the State had failed to capitalise this feeling to strengthen the State and contain the simmering regional conflicts. By returning to autocratic forms of government after Spanish liberation, Ferdinand VII (1803-1833) once again opened the rifts between Spanish regions. The authoritarian political structure defeated attempts to move to a parliamentary system as in England. The most developed region Catalonia was the economic base for the economy, but loath to accept taxation to support the corrupt and incompetent central authority in Madrid. Regional nationalism within Catalonia was able to establish itself though the Generalitat de Catalunya, the Catalan national parliament, and similar nationalist feeling began to develop political movements in the other developed areas. Madrid, despite being the centre of government and bureaucracy, did not become a business or trade centre.

The long-term effects of this pattern of development were:

- Ingrained social patterns in central and southern Spain resting on landed ownership and a rentier mentality. 70% of the great Southern estate owners, for example, lived in Madrid with the Royal court (Carr, 1980).
- Economic development suffering large regional disparities.
- Increasing regional nationalisms.
- An ineffective bureaucracy based more on concepts of nobility and patronage than on administration.
• A bourgeoisie that sought inclusion in the aristocracy rather than development as a unified class. This was an anti-industrial variant of the aristocratised culture (Tylecote, 1996) of the nobility.

• The legacy of intense Spanish religiosity. Catholic inspired mistrust of commerce, leading to a general aversion to industry, strong fatalism, and a loathing of manual labour for example.

• An internal perspective, isolationist mentality and a lack of industrialisation.

• The development of a mercantile bourgeoisie in Catalonia with a history of conflict with the Madrid government.

These factors were all to have a major impact on the development of business and management in Spain. In the chapter on the development of the Spanish economy we shall examine how the Spanish economy developed in more detail. The formation of the modern Spanish nation can account for several general traits of the Spanish national character that have been observed. First, let us examine one aspect of the impact of the Catholic Church upon Spanish business development.

*Catholic Tastes – Progressive Reactionaries*

Attitudes towards business and commerce in Spain have not only been shaped by the wider social role of the Catholic Church in Spain, but through the direct involvement of the Church in the economy through religious interest groups. The most influential of these groups, the *Opus Dei* (literally “the work of God”, the Opus) was largely responsible for guiding the process of industrialisation in Spain during the 1960s (*los años de desarrollo*). Because of this profound influence, we need to describe the organisation briefly in order to give context to the Opus’s economic aims described in the chapter on the development of the Spanish economy. The Opus is a secular Catholic movement officially recognised and patronised by the Vatican. The Opus exhorted its members to integrate religion into daily life by achieving prominence within the State and economy whilst serving, and defending, the Catholic Church. The

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8 The Vatican recognised the Opus in 1943 as a ‘communal institution’, and in 1947 it became the first secular group to attain the status of ‘secular institute’ to the Church. Furthermore, the Opus achieved one of its main aims in 1982 when Pope Paul II decided to grant it the status of Personal Prelature, thus giving it independence from the cannon law of the local church diocese whose jurisdiction its members fall within. With this buffer the Opus is independent from local Church intervention and supervision.
Opus has considerable power within the fields of academia, governmental bureaucracy and high finance. The Opus's control of education is firm, with their influence running through private and Catholic universities. In summary, the importance of the Opus to contemporary business is threefold: first, the Opus, through the technocrat ministers' dominance in los años de desarrollo, had a major influence on the economic development of Spanish business and industry. Second, the Opus has an influence through the continued involvement in Spanish business through its prominent members. Third, the organisation runs some of Spain's most successful universities and business schools, as do similar Jesuit organisations. We shall examine this influence in the later chapter on education.

A Liberal Tradition – and Authoritarianism
We have emphasised the role of conservative force in the shaping of modern Spain, but a note must be made of the long liberal tradition in Spanish politics. Indeed, the word liberal is Spanish itself. Spain did not, however, have a history of social liberalism. Carr (1983a:1) explains the history of precocious democracy, commenting that "much of modern Spanish history is explained by the tensions caused by the imposition of 'advanced' liberal politics institutions on an economically and socially 'backward' and conservative society". Spanish revolutions were therefore changes "in the political landscape rather than a social transformation", and a political body separate from a strong social and economic foundation had to recourse to military pronunciamientos (officer's coups) to gain legitimacy. The development of early democracy in Spain was imposed from above, and riven by this contradiction failed to plant strong roots that would shape the development of the economy and industry.

The Political Situation in Spain
Spain was ruled by the authoritarian dictatorship of General Franco from 1939 until he died in 1975. After this Spain underwent a profound transition and series of crises where it was not clear whether authoritarianism would be continued or whether some form of representative government would be introduced. The Spanish King, Juan Carlos I, was instrumental in guiding the process of democratisation and overseeing the free election of the Unión de Centro Democrático (Democratic Centre Union, 1977-1981) government of Adolfo Suárez and the framing of the 1978 constitution.
Spain is governed by a constitutional parliamentary monarchy. The King is subordinate to the Cortes (parliament), which is divided into the Congreso de los Diputados (Lower House) and the Congreso de los Diputados (Upper House). Members of the Lower House (Diputados) are elected by universal suffrage (Spaniards over eighteen years old are eligible to vote) every four years.

One major feature of the transition to democracy was the acknowledgement of regional problems. Spain is now comprised of sixteen autónimas (autonomous regions), with varying degrees of decentralisation. Regions with a history of separatism such as the Basque Country and Catalonia have fairly devolved powers whilst some regions are very reliant upon the central government in Madrid. Despite the large differences – political, cultural and economic – between the autónimas, only the Basque Country has a serious separatist movement, and this is a minority. Politically Spain is fairly stable as a country of federal states.

Felipe González’s Partido Socialista Obrero Español (the centre-left socialist party, PSOE) governed Spain between 1982 and 1996, and oversaw the entry of the country into the European market (by joining the EC in 1986) and thus the world economy. The current government in Spain is the centre-right Partido Popular of José María Aznar.

A Quick Note on the Spanish Character

Before we begin to explore the background of the development of management in Spain, we shall depict some of the pertinent features of the Spanish character that have been described by observers. Throughout the thesis we shall also add to these observations in relation to managers’ values to build a more robust and meaningful depiction of the Spanish managers’ psychological orientation.

Spaniards are very aware of the cultural, linguistic and regional differences between themselves. Many would be surprised by the popular British misconception that Spain is a fairly homogenous and united country, but the detached observer can see many similarities between Spaniards in general. In fact, Hooper (1986; 1995) observes that despite the history of regional differences, Spanish society is remarkably homogenous. Fundamentally Hooper identifies the unifying experience of the reconquista, the long-term political and economic dependencies and ties between regions, the large-scale population exchanges, and long history of co-operation under the central Spanish State as creating a stable country. With the exception of the
Basques, the Spanish people are also fairly ethnically homogenous – and with 50% of the Basque population having originated in other Spanish regions almost all of Spain can be considered a single ethnic nation.

One aspect that may blind Spaniards to this is a strong clan mentality. As we have explained in the introduction, the resettlement of Spain encouraged separatism and regionalism. Partly because of the importance of the family in Catholic society, Spaniards identify the family as the most important social unit. Because of this orientation Spain could be considered a low trust society in which larger social units and direction can only be achieved by superimposed cohesion (Fukuyama, 1995) through establishments such as national government and the Church.

The conflict between the social system based upon a feudal conception of nobility and social hierarchy has been in conflict with the more basic Spanish desire for independence and autonomy. To some extent the dichotomy can be seen in the popular Spanish expression that “each man is his own King”. Whilst many Spaniards believe in hierarchy for others, “the instinct for preserving his own liberty makes him [the Spaniard] eschew all forms of social co-operation, since all collective work tends to enslave the individual and to reduce him to the status of machinery” (Hill, 1992: 102). Spaniards often display these features together: dignity, nobleza (dignity, autonomy and humanity) and castizo (of good breeding) all being important traits. As a people stirred by passion (Hill, 1992), Spaniards resent the idea of imposed authority (which is why it has often been historically necessary), and only engage in activity that enriches their experience personally (Galtey, Lessem and Altman, 1996).

With these traits in mind the next chapter begins with a general view of the recent demographic changes that Spain has experienced in the recent creation of the present day labour force.
CHAPTER TWO: DEMOGRAPHICS – THE SHAPING OF MODERN SPAIN

Changing demographic patterns in recent Spanish history have had an important impact upon the development of the labour market and business in Spain. These patterns have exacerbated the importance of the industrialised regions and acted as a brake on economic development in other Spanish regions.

In this section we shall briefly outline the most significant changes in Spanish demography, and highlight implications for the business world. The most significant aspect of demographic shifts for industry is reflected in the labour market. The information presented in this chapter sets the context for later discussion referring to the demographic changes in Spanish society, and underpins the chapter on the labour market.

The Post-Civil War Period

The Civil War (1936-1939) in Spain led to huge manpower losses, and the terrible post-war conditions gave Spain a very high death rate, 14.3 per thousand in 1941-45. Franco’s victory initiated the large-scale emigration of opponents, compounding the reconstruction labour problems caused by the loss of some half million workers in the Civil War.

Spain then experienced a prolonged period of population expansion between the end of the Civil War and the late 1960s, partly attributable to Franco’s drive to encourage large families. All major European countries experienced a growth in birth rate between 1955 and 1964 (Clout et al., 1985), and in Spain the increase in the birth rate in this period resulted in a ‘baby-boom’ generation entering the labour market in the 1960s.

The 1960s and 1970s: Drawn to the Poles

In the 1960s Spain underwent massive population shifts, creating regional imbalances in population that persist to the present. From this period demographic patterns in Spain varied widely between different regions, making local democratic profiles more relevant than national averages. Overall, the birth rate stabilised at 20-23 births per thousand per annum throughout this period, but this masks the fact that this expansion was largely an urban phenomenon as Spaniards moved off the land and into the major urban areas.
urban centres. In addition to this, urbanisation was centred on the industrial capitals of Catalonia, northern Spain and also Madrid.

By the años de desarrollo the mortality rate had declined to one of the lowest in Europe. Infant mortality patterns may be regarded as one of the most sensitive indicators of socio-economic conditions (Clout et al., 1985: 23). A study of infant mortality sheds some light on the demographic differences between expanding regions such as Madrid, and the 'forgotten interior' of Castille and western Spain suffering the 'progressive desertification' caused by population loss. In 1967 infant mortality in rural provinces like León, Cuidad Real and Cuenca was twice the national average and three times as great as that in industrial Guipúzcoa (Basque Country). The Spanish interior, especially Castille-León and Extremadura, were in the late 1950s what Arbeló (quoted in Shubert, 1990: 212) called "a veritable cemetery for babies."

This reveals once again the large differences in regional levels of development.

Urbanisation continued accelerating, with the 700,000 Spaniards who left the land in the 1940s swelling to over 2 million in the 1950s. Between 1962 and 1976 5.7 million Spaniards moved between regions, 3 million of these abroad (2 million to other European countries). The reasons for internal immigration was the desire to improve living standards and gain employment. This exodus was mainly to the major urban and industrial cities. Half the population growth in between 1960 and 1970 was accounted for by just seven cities: Madrid, Barcelona, Valencia, Zaragoza, Seville, Málaga and Murcia. Partly this situation was created by the governments policy of focussing industrial development on 'poles of development' (see chapter on the development of the Spanish economy for a full discussion), but this strategy also sucked investment and labour from less developed regions, exacerbating economic imbalances. Between 1966 and 1973 59% of all investment went to the ten richest regions, whilst the ten poorest received only 1.5%.

In effect the shift in population and further developed economic dominance of Catalonia, the Basque country, and Madrid. This development confirmed Spain’s economic orientation has changed from an Atlantic to European one.

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9 Source: Shubert (1990) p.211
10 Infant mortality reflects a large range of factors, including quality of medical care, public health services, housing and income.
**Demographics – The Shaping of Modern Spain**

**The 1990s: A European Country**

After the late 1960s the growth rate began falling, to 18.6 per thousand in 1975, but the Spanish birth rate remained higher for longer than the European average until the late 1970s. The gradual decline halted at slightly less than renewal rate, at 13 births per thousand in 1984. Population growth rates are shown in Table 5, and Figure 1 shows the changing of the population structure. The high birth rate in the 1960s and 1970s has left Spain with a young population, one in which a full quarter of the Spaniards are under 16. The population structure is changing, as Spain qualifies as an official 'ageing nation'\(^\text{11}\) as more than 7% of its population are over 65.

The 1990s saw the return of many of the Spaniards who emigrated during the 1960s and 1970s, as Spanish 'guest workers' began to return from European countries, and political émigrés added to their ranks. At the start of the 1990s the influx of returning Spaniards was complete and the demographic slowdown became apparent as the native population began to contract.

Rural areas still continue to suffer depopulation against the continued dominance of established industrial centres. In the 1990s Spain has come in line with general European demographic trends for the first time since the mid-nineteenth century (Shubert, 1990), with both the positive and negative implications for a business economy.

<table>
<thead>
<tr>
<th></th>
<th>1971-80</th>
<th>1981-1990</th>
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<tbody>
<tr>
<td>Births</td>
<td>6,491,778</td>
<td>4,536,900</td>
</tr>
<tr>
<td>Deaths</td>
<td>2,943,692</td>
<td>3,083,947</td>
</tr>
<tr>
<td>Natural growth</td>
<td>3,548,086</td>
<td>1,452,953</td>
</tr>
<tr>
<td>Emigration balance</td>
<td>245,000</td>
<td>433,000</td>
</tr>
<tr>
<td>Total growth</td>
<td>3,793,086</td>
<td>1,885,953</td>
</tr>
</tbody>
</table>

Table 5 Population Statistics 1971-80, 1981-1990\(^\text{12}\)

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\(^{11}\) United Nations criteria.

\(^{12}\) World Education Report UNESCO, 1993 p.119
Figure 1 Demographic breakdown by age group 1980-1993\textsuperscript{13}

The Spanish native population is set to shrink from a projected 40,456,000 in 2000 to 40,428,000 in 2020\textsuperscript{14}. For the business environment this has two main implications:

- Higher tax costs as the state increases social security provision for an ageing population.
- A scarcity of skilled labour, with increased labour costs at all levels.

In business terms the stagnation of the internal labour pool may well be supplemented by the continued inflow of cheap labour, as during the 1990s over 300,000 legal and 130,000 illegal immigrants arrived \textit{per annum}.

\textit{Labour Rich and Labour Poor}

Rapid demographic changes in population growth and distribution have created wide regional imbalances in Spain. This has reinforced the dominance of the established industrial regions, and created large differences in the depth and quality of the labour market across Spain. The impact of this shall be explored in the chapter describing the

\textsuperscript{13} Instituto Nacional Estatistica, (INE) 1995
\textsuperscript{14} Bureau of the Census, US Department of Commerce.
labour market in Spain, and as we shall see, management mobility patterns in Spain have also been profoundly affected by this development.
CHAPTER THREE: THE DEVELOPMENT OF THE SPANISH ECONOMY

Introduction
The development of the Spanish economy has had a profound effect upon business and management in Spain today. At first glance Spain would appear to be an easy case for introduction, a stable, developed country in the European Union. However, the history of Spain’s post-war economic development has been significantly different from that of the other member states, and therefore requires a more in depth analysis. Indeed, Spain still suffers from the legacy of poor industrial development in the nineteenth century. Until 1975 Spain was ruled by an authoritarian regime, and its industrial base forged in post war isolation. Spanish history has been nothing if not turbulent, experiencing extreme poverty in the 1940s, an 'economic miracle' in the 1960s, democracy in the late 1970s, and impressive growth in the 1980s and 1990s. The Spanish economy is currently one of the most dynamic in Europe. The rapid development that Spain has made should be kept in context, as although Spain has broken away from the poorest European countries, it is still well behind its northern European competitors. The overall upward economic trend also masks two underlying problems. First, the high levels of growth that Spain has experienced are largely due to the poor state of the post-Civil War economy. Second, industrial development has not been even throughout Spain, and has not created a broad economic base. Modern Spain still suffers from structural and ingrained cultural impediments to business. For this reason the following chapters will chart the evolution of the Spanish economy to the present day, drawing attention to the developments that had important impact upon the development of industry, and the origin of management values today.

Pre-Civil War Industrial Development
Spain did not experience the early industrialisation of Britain and Germany. Native industrialisation initiatives in Spain in the nineteenth century were confounded by the three basic problems:

- The failure of the State to achieve uniform control.
- Regional developmental imbalances.
The Development of the Spanish Business Economy

- Fissiparous local nationalisms\(^\text{15}\).

The British model of economic development, based upon a mercantile bourgeoisie trading with a capital that was ultimately based upon agricultural surplus, could not work in Spain. Spanish agriculture was firstly inefficient, and secondly the role of Church and high aristocracy as major landholders prevented the use of agriculture to fund industry. Both the landed aristocracy and small bourgeoisie were distracted from industry by a social structure which held achieving a high social stature as preferable to economic success (Carr, 1980; Boisot, 1993; Hooper, 1986; 1995). Economic activity was thus diverted into landholding rather than business, and apathy developed as the entrenched elites remained conservative. This attitude was to become deeply embedded in the culture, and has strong resonance in the present day. Because of this cultural aversion to industry, industrialisation in Spain was driven by external influences, either directly by foreign investment and development, or reactively as Spain tried to develop industries to defend the native market against the foreigner. In this way the mentality driving industrial policy was protectionist and reactionary. The level of industrialisation achieved in the nineteenth century was very low in comparison to other European countries, and was impeded by the poor infrastructure. Native investment was undercapitalised and unimaginative, fragmented and short term, and the economy therefore depended upon foreign capital to fund modernisation. Early modest industrialisation was stimulated in four phases:

- The foundation of a national railway network between 1856 and 1884.
- The beginning of the modern mining and the Basque steel industry between 1874 and 1884.
- The spread of industry and mining in the early twentieth century.
- Investment in banking and finance.

Foreign investment, technology, and capital plant stimulated the advent of a national railway. From the outset this reliance on foreign technology (Carreras, 1994) ensured

\(^{15}\) We shall use the term 'nationalisms' (plural) in accordance with Alter (1990) who sets out different forms of nationalism. The regions of Spain do exhibit different forms of nationalism, and these forms have different historical basis and manifestations. Use of the term reminds us of this fact.
that there was no self-generating multiplier effect that helped industrialisation in England. Spain’s railway network was weak (Boisot, 1993), as in 1923 Spanish railway tracks totalled 7,150 miles, whilst although Britain was roughly half the size (and already had a development nodal infrastructure combining navigable rivers, canal systems, and road networks) she benefited from 24,000 miles of track as early as 1914. Nevertheless the development did bring benefits to isolated markets and benefit indigenous Spanish firms, as did banking improvements that did provide capital for native firms. However, the poor penetration of the infrastructure failed to create a national market, and extractive industries, such as mining, usually benefited the investing nation rather than Spain.

The acceleration of development foreign capital funded did not result in industrial take-off. Fundamental economic conditions necessary for a modern industrial economy were absent, namely:

- An adequately trained workforce: As late as 1860 there was only 20%\(^{16}\) literacy.
- The technical and scientific traditions, which stimulated innovation and development in Northern European countries, were absent. Due to isolation and the extreme conservative position of the Church in relation to the war on Islam, Spain had shut its doors to enlightenment discourse and the secularisation of thought. Therefore the development of scientific rationality, belief in progress and faith in natural law and institutions was curtailed.
- A developed infrastructure. Spain’s poor infrastructure, despite some improvements, slowed the rate of urbanisation and led to market isolation and fragmentation.

The fragmentation of Spanish markets would remain a long-term problem in Spain, but not all regions were so slow to industrialise. The Basque Country and Catalonia achieved a high degree of industrialisation in the nineteenth century but because they were isolated they were able to develop without stimulating industrialisation in Spain in general. In fact the development of these regions drew industrial capital from other regions which may have benefited more. Outside of Catalonia and the Basque Country the major industry remained foreign financed and managed.

\(^{16}\) Source: Boisot (1993) p.210
A Case Apart
Catalonia had industrialised significantly by the end of the nineteenth century (Fraile Balbín, 1991). The strength of the Catalan economy was built upon:

- The development of the textile trade, as Catalonia was known as the 'Mediterranean Manchester' or the 'Second Lancaster'.
- A strong work ethic, based on the Catalan sense of seny (common sense) and "the only market mentality" in Spain (Carr, 1980: 29).
- The general shift in trade from an Atlantic to a Mediterranean orientation after the loss of the Spanish colonial trade.
- A mercantile tradition dating back to the Catalan trading empire of the fifteenth century, and a geographic advantage because of proximity to Europe.

The Catalan economy was the most balanced in Spain, and because of the range of industries the first region to develop modern trade and employers' associations (Lastortras, 1996). As we have stated, this development did not manage to create overall economic levelling in Spain, or help political stability. The economic development of Barcelona especially retarded the development of a balanced national economy by exerting a strong pull factor drawing resources away from less developed regions (Carr, 1980). Furthermore, this economic disparity fuelled a growing nationalist feeling in Catalonia that worked against co-operation with the government in Madrid and the setting of national economic policy. It certainly helped form a protectionist, and basically conservative, mentality even in this dynamic region. Banking and finance were slow to develop in Catalonia for all this industrial capital.

The Basque country, and to some extent, Asturias also achieved some degree of industrialisation, but unlike Catalonia this was still dependent on foreign capital (especially in mining) and did not create an industrial fabric of supporting trade and industry. The steel industry in Vizcaya may have flourished, but it was technically backward in comparison with the Northern European competition (and it must be remembered that this industry was mostly foreign owned in any case).
Great War to Civil War

In this section we shall briefly chart the development of Spain's economy until the Civil War (1936-1939). Until the Great War (1914-1918) Spain experienced continuing economic development but simultaneously fell relatively further behind its European neighbours. The main problem of this period was the failure to modernise agriculture (Nadal, 1973) and thus change the balance of social power to one favouring liberal market development as in other industrialised countries of the time. Over the nineteenth century the rapidly developing economies of North America and Europe had shifted gradually towards industrially based economies, rather than agriculturally dependent ones. Spain, however, had increased its dependence upon the agricultural sector.¹⁹

The complicated political developments of this period fragmented national policy as right wing and left-wing factions fought for political control. One important feature of this period was the slow creation of unionised labour, although unions would not become mass movements until the 1930s. The established economic areas continued to attract labour from rural Spain, and this immigrant labour was particularly drawn to unionisation. In Catalonia the conservative patriarchal industrial capitalists refused to acknowledge labour as a legitimate class and enter into negotiation. Because of this 'shut door' policy workers were drawn to anarchism and anarchosyndicalism. The importance of this development is explored on the chapter on labour and unions. Labour in the north was drawn more to organised socialism, but met with the same response – violent suppression. Confrontational labour clashes were to become a permanent feature of this period.

The victory of the right-wing forces in the Civil War (1936-1939) saw the end of a period during which Spain had been governed by a monarchy (to 1930), a republic (1931-1936), a dictatorship (1923-1930) and a Popular Front left-wing coalition (1936). It was a period during which the country had almost been torn apart, as the industrialised region became ever more militant in moves for independence. The Civil War would end Catalan, Basque and Asturian separatism – at least on the surface, but

¹⁹ The sale of Church lands (one third of all land by value) in the mid-nineteenth century concentrated landholding in the hands of few families. This landed oligarchy represented the most conservative group, and undermined agrarian reform and the use of capital to fund agriculture, or the development of a small bourgeoisie (Carr, 1980).
the economic and political regional imbalances would have affects on the development of business and industry in Spain that persist to the present day.

From Anarchy to Autarky

The end of the Civil War in Spain revealed a country crippled by three years of conflict. General Franco had consolidated political power in his hands, and was to set the agenda of Spain's redevelopment. The Second World War (1939-1945) also had a major effect upon the country, as international trade suffered. Although Franco was able to trade with the Axis powers (Germany, Italy and Japan), this turned out to be a tactical error. The defeat of Spain's tacit allies compounded the legacy of Spain's own war. The main problems facing the nationalist government in the 1940s were:

- The need to rebuild an economy shattered by three years of vicious civil war. In human terms, over half a million people had been killed, and another half million exiled. Repression was to take its toll on the survivors, and the people in the most active economic areas, notably Catalonia and the Basque Country, were punished most, as they had been the centres of Republican resistance. The 1940s were known as los años de hambre\(^{20}\) (the 'hunger years'), and there was a drop in per capita grain consumption throughout the 1940s of between 30 and 50\(^{21}\). Living standards plummeted as real per capita income dropped below pre-war levels, and would not rise above this until 1952. The economist París Egailuaz (1960) wrote that "the Great Civil War had provoked unprecedented recession."

- Agricultural production fell to one third of pre-war levels, with livestock numbers cut by 30 to 40%. Although this was devastating in human terms, the wholesale destruction of the agricultural sector helped to stimulate urbanisation and destroy more traditional agriculture by imposing a degree of forced modernisation.

- A devastated transportation network, with heavy capital equipment losses. 10% of shipping and 40% of railway equipment having been destroyed in the conflict.

- The economic isolation imposed by the international community. This was made far worse after the end of the Second World War. In December 1946 the new United Nations exiled Spain from international trade. This deprived Spain of the

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\(^{20}\) Carr (1980) maintains that "But for the loans granted by the Argentinean dictator, General Perón, it is possible there would have been a full scale famine."

\(^{21}\) Source: Adrian Shubert A Social history of Modern Spain Unwin Hyman London, 1990 p.207
opportunity to benefit from post Second World War reconstruction programmes, both directly (in the form of Marshall Plan aid), or indirectly, in the form of participating in increased international trade. Although Franco had remained neutral in the Second World War, he had actively supported the Axis coalition. The Americans thus had no incentive to prop up the Spanish economy in contrast to the northern European states, because there was little perceived risk of Soviet encroachment through the Iberian peninsula into mainland Europe, and as Hooper (Hooper, 1986) comments, every reason for punishing them.

Reconstruction or Retardation?
To rebuild the Spanish economy, the Franco regime was guided by three main considerations:

- The Spanish tradition of self-sufficiency, such as the example set by Primo de Rivera in the 1920s.
- The political aims of the main groups comprising movimiento nacional (the right-wing coalition supporting Franco), particularly the Falange, (the fascist political party).
- The fascist economic models of the 1930s, especially that of Italy.
- The international embargo that made it difficult to rejoin European trade.

During the civil war Franco had progressed cautiously, partly through lack of tactical genius, partly through lack of materials, but mainly through personal choice (Carr, 1980: chapter 10 passim). Franco conducted a war of human attrition, and aspiring to rule over a strong country after the conflict attempted to keep the destruction of plant and infrastructure to the minimum. Thus, despite the appalling devastation we have noted, it is possible to overestimate the importance of the Civil War as an excuse for Spain's poor post war 1950s performance. The key to Franco's personal ambitions was his idea of independence: Franco wished Spain to be independent from foreign power and influence. This in turn affected his attitude to the international blockade that greeted his new regime. Determined to retain Spanish sovereignty Franco was in favour of a closed economy irrespective of international sanctions. The Franco regime set upon the creation of an 'imperial military state', and with the Falange as the
The Development of the Spanish Business Economy

doninant political force in the *movimiento nacional*, the favoured models were fascist. The central economic policy of Franco and his supporters was a self-contained economy fuelled by industrial expansion based upon a self-sufficient agricultural sector: in a word, autarky. However, despite this desire for industry, Franco and his supporters did not want an industrial society.

Legislation soon laid the foundations for autarky. The Law for the Protection and Development of National Industry (October 1939) used incentives to encourage firms to gear towards import substitution. The law for the regulation and Defence of National Industry (November 1939) bound all state aided enterprises to use domestic inputs whenever possible. High protective tariffs, prohibitive exchange rates and other import controls reinforced both laws. The next major step that the regime took was to copy the IRI, Mussolini's state holding company, in a bid to strengthen the role of the state in the economy. The Spanish model was founded in 1941 and named the *Instituto Nacional de Industria* (INI). The aim of the INI was to develop industry towards national defence and self-dependency, developing the weaker strategic sectors of the economy in which private industrial investment was lacking. Initially the INI focused upon fuels, fertilisers and electric generation, before taking an even greater role in the staple heavy industries such as iron, steel and automobile production.

This was the creation of the inefficient public companies, often monopolies that were to stifle heavy industry competitiveness, helping foster inefficiency and over-bureaucratisation in Spanish industry. The INI and other central controls proved to be profligate, inefficient and insidious, infiltrating and corrupting many parts of the economy (Boisot, 1993). Spanish industry was left with a legacy of management and labour accustomed to low productivity, poor quality, manufacture led demand, and adversarial labour relations. We shall examine the legacy of the INI throughout the study. On the whole, the creation of the INI has perhaps been the most important determinant of how Spanish business culture developed in Spain into the late 1980s.

Agriculture was also targeted for self-sufficiency. The National Wheat Board was set up in 1937 to control the grain market and fix prices. The board was created

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22 The purpose of this eventually to concentrate upon armaments production. Ironically the INI was a failure in the munitions sector, and diversity took the focus of INI into manufacturing, away from specific aims.

23 Ironically, the measure mirrored a plan originally put into effect by the Popular Front government of France in 1936.
through expediency due to the war shortages, but was in line with the Falange’s aim of creating a rural, self-sustained economy. The destruction caused by the Civil War was in part due for the failure of the Board, and Spain was largely dependent for grain upon imports from Juan Perón’s sympathetic Argentinean dictatorship. The most persistent problems with Spanish agriculture were not tackled because of political apathy. The problems of war devastation and obsolete technology were compounded by two major structural problems in agriculture:

- The latifundia’s (the great estates) dominance in agricultural production.
- The disproportionate number of small subsistence farms.

The small marginal farms could be typified by the subsistence secanos (literally “dry ones”), of which there were 22 million (mostly under 2 hectares in size), despite existing on dry land really unsuitable for cultivation. Whilst the radical elements of the Falange had earlier advocated rural reform, once in power they were more interested in preserving the status quo by protecting privilege, and the government itself represented a large landed interest. There was some improvement in agriculture traceable to this period, as the latifundia became mechanised, and the policy of collectivisation, concentración parcelana, created a more market-orientated class of small farmer. However, the problem of reliance upon agriculture was ameliorated somewhat by social change as internal migration and rural depopulation drained the land, rather than by government action. As smallholder cultivation became more problematic, many Spaniards sought prosperity in the urban centres, and between the 1940s and mid 1970s over 800,000 farmers took this route.

Despite the improvements in more modern latifundia production, this did not address the largely unchanged structure of the agricultural sector. The Wheat Board was a failure in its aims, but by placing emphasis upon wheat production it ensured that agricultural land use patterns did not change as recession gave way to later affluence, and demand for cereals gave way to demand for meat and dairy produce. The only true agricultural success was in citrus fruit export from the more developed Levante region. Foreign exchange from this trade went some way to compensate for the poor

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24 In fact, prices were set at prices low enough to ensure that the system was a failure, dearth
agricultural sector, and indeed helped balance of payments allowing capital industrial equipment to be brought from abroad.

When the United Nations lifted the international blockade on trade in 1950, autarky was maintained because the measures were ideologically motivated as well expedient politics. During the initial post-Second World War period, many European states had sought to protect their economies with some form of reconstructive dirigisme. These measures were temporary expedients, designed to deal with immediate problems such as materials shortages. "The unique feature of Spain in the 1940s – apart from the clumsiness of the apparatus that enforced regulation – was that autarky was presented as a permanent ideal" (Carr, 1980: 156).

Industry became hamstrung by regulations, plagued by underinvestment as the state economic apparatus failed to allocate resources effectively. Attempts to stimulate some international trade in the 1950s by rescinding some tariff legislation drained foreign currency reserves and simply opened a trade gap as Spain was unable to compete. High inflation rates and an unstable currency further hampered trade and undermined improvements in the industrial world. The late 1950s saw Spain in poor economic circumstances, as indicated by the following indicators:

- Production of heavy goods such as iron, steel, ships and fertiliser had not regained 1931 levels by 1950 (Shubert, 1990).
- The standard of living had plummeted 17% since 1940.
- In 1958 85% of firms employed fewer than five employees, and 73% used capital equipment over twenty years old.
- Real wages were 15-25% lower than in 1936. This hurt not only the living standards and consumption demand, but did not make industry more competitive in light of high production costs and poor export potential.

Economic planning was hamstrung by the inherent dichotomy of movimiento nacional, that the organisation was not a coherent political party but a collection of diverse reactionary groups whose political and economic aims were often contradictory. The autarkic economy was meant to protect Spain’s agricultural society and promote the social aims of the state, but this was in contradiction to the economic ensuring that high black market prices captured around half the grain trade.
requirements of a strong industrial economy\textsuperscript{25}. The aim of industrialisation could not be fulfilled in an autarky, as the economy required international trade and investment to stimulate modernisation. The economy stagnated, causing huge social problems as Spain underwent a demographic shift from a rural to urban society. The demands of coping with a changing demography, the failure of industrialisation and near bankruptcy in 1959 forced an end to autarky.

Regeneration had not updated Spain's industrial capacity, or improved living standards. The structure of industry had not been modernised, and had grown ever more uncompetitive. What Spain needed was a miracle. The bankruptcy crisis saw a new group of ministers gain ascendancy in Franco's government, and they thought they could provide one.

\textit{The Technocratic Ascendancy}

Whilst the economists within the Falange hoped to direct the economy from above with a strong protectionist state, there was another group of interventionists that recognised the market as the most efficient form of resource allocation. This group, the so-called \textit{tecnócratas} (technocrats), also shared the Falange's agenda of social conservatism, and according to Carr (1980:161) hoped to "forge an amalgam of authoritarianism, traditional Catholicism, and the world of Americanised business efficiency". The group was associated with the Catholic lay order, the Opus Dei (for further information see the section on the Opus in the introductory chapter), and sought to defend the place of the church within industrial life by guiding the very process of industrialisation itself. The \textit{technocrats} realised the contradictions inherent in trying to create a modern power from a closed economy. They realised that the desire for industrialisation would necessitate creating the economic conditions industrialisation demanded (Carr, 1980). The technocrats planned to guide the economy from above but to also allow market prices to control resource allocation and open the economy up to world trade. It is symptomatic of the contradictions within the Franco regime that the progressive economic agenda should have been set by those

\footnote{The Soviet Union experienced a similar contradiction throughout the pre-second world war period. Industrialisation policy sought to fulfil the state's political-military aims, but could only proceed at the direct expense and exploitation and destruction of the agricultural sector. By making this sector residual, the economic expansion could continue. NAZI Germany also encountered this problem, even before the War exposed more ingrained contradictions, when the so-called "guns and butter" policy foundered, and agriculture was made subservient to industrial needs.}
wishing to preserve the Catholic Church through directed economic progress, looking
to the future in order to preserve or recapture the past.

As we have noted, Franco’s primary aim was to make Spain strong, and to consolidate
his personal power. Although many of his more rigid adherents were for isolation, as
long as his overall aims were served Franco was flexible on methods, and could be
persuaded by economists upon subjects of which he had little grasp, and in truth,
small interest (Carr, 1980). The technocrat experiment was given the go ahead. With
the announcement in 1959 of the Economic Stabilisation Plan Spain re-entered the
world economy. The plan:

- Reduced public expenditure.
- Rationalised government controls.
- Established gold parity exchange for the peseta.
- Liberalised trade and foreign investment.

The initial recession allowed the country to redress its balance of payment deficit and
set the scene for the economic miracle that the technocrats promised.

*The Años des Desarrollo*

The technocrats’ programme of mixing state economic planning, in the form of
development plans, with the free market, created the ‘economic miracle’ of the 1960s.
Between 1960 and 1974 the only democracy to outperform Spanish economic
expansion was Japan. Average growth was some 6.6 per cent. In 1963 Spain left the
United Nations list of developing countries26. By 1974 when world recession began
to hit Spain and the rate of growth slowed, Spain had become the world’s ninth largest
economy. This period has come to be known the años de desarrollo, the development
years. The technocrats development plans targeted the major industrial regions, so-
called ‘poles of development’, in order to spur economic expansion. This continued to
focus Spanish industry in the established regions and increase regional imbalances in
economic development.

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26 Countries with annual incomes of less than $500 per capita were classified as developing
On Europe's coat tails: Spain's Economic Miracle in Perspective.

How far the development plans of the technocrats, lifted largely from French indicative planning, produced from the economic miracle of the 1960s must be open to question. It has been argued (Carr, 1980) that the development plans distorted the fact that the Spanish economic miracle was primarily caused by the pan-European economic boom. "The 'triumphalist' propaganda of the regime, pouring out the statistics of growth, was not a proof of prosperity based on 'Franco's peace', but merely reflected the inevitable spurt that industrialisation brings to any backward economy." In this context such rapid economic expansion and dramatic rises in productivity reflect the extremely low starting point of Spanish economic development (Hooper, 1988).

The recession that the Stabilisation plan created was anything but a miracle for the Spaniards whose pitiful standard of living fell even more. Many were forced off the land and abroad, benefiting from ample employment in expanding European economies throughout Europe. Ironically, the money they sent back to families in Spain was a major factor in spurring on consumption and domestic growth and helping the trade balance. There is much justification for this interpretation if the foundations of Spain's growth are analysed. Economic growth was fundamentally founded on:

- Foreign investment.
- US loans.
- Receipts from tourism.
- Money from Spain's expatriate working population. Without the huge numbers of guest workers abroad and high negative migration, Spain would have experienced crippling unemployment.

Spain's economic restructure had followed a 'different path of industrialisation', one financed by the role of tourism in the economy (Bote and Sinclair, 1996). By concentrating on the 'poles of development' the Spanish central planners exaggerated regional imbalances, and further added incentive to the demographic shifts and urbanisation that they found so unfavourable. The fact that income distribution was
The Development of the Spanish Business Economy

also absent was glossed over by the technocrats, and as we have noted in the introductory chapter the Opus Dei influenced ministers were ‘silent on social problems’. They had faith in the efficacy of industrial growth to raise living standards faster than any social problems, problems that they considered ‘growing pains’ within the economy. In the next section we will consider the social changes in Spain and the put the demographic transition into perspective.

The economic miracle of the 1960s was halted abruptly by the 1973 oil crisis created by the formation of OPEC (the oil producers’ cartel). Spain relies on importing 70% of its energy, and therefore the huge rise in prices had a severe effect on the economy. In conjunction with the social transformations in Spain and political scandals, this was the end of the technocrat economic experiment.

The Social Transition

The stagnant economy in many regions was unable to improve living standards, and in the more backwards and isolated rural areas, the situation grew ever more dire. This economic disparity between prosperous industrial areas and impoverished agricultural regions was to start a demographic shift as emigration and internal migration were to reshape Spain from a rural to highly urban country (see chapter on demographics for a full account). In turn, this shift dictated a new economic, and political, era.

The aim of simultaneous economic change and social stability has historically been problematic. EP Thompson (1984) suggests that there can be no “change in the economic basis for society that are not changes in social structure in themselves, and destruction of the circumstances that created [that society]”, and so it proved to be in the Spanish experience. As the technocrat’s economic drive towards industrialisation progressed, superficially it seemed as though the objective of social stability was achieved. The aim of creating an apathetic contented workforce through material comforts appeared to be working. However, demographic and economic transitions were occurring that would undermine the basis for social accord. Once again, Spanish history was to be shaped by a ‘foreign invasion’, this time in the form of cultural expectations. The government found that it is difficult to trade with countries without becoming vulnerable to their cultural, as well as material, imports. This was especially true in Spain where tourism is such as large part of the economy, and there is direct import of both foreign tourists and the need to develop the areas they patronise to suit
The Development of the Spanish Business Economy

their tastes. The sheltered traditional societies of the Southern coast were brought into contact with European affluence, 1960s progressive *mores* and European popular culture. Spaniards “accustomed to measuring time in hours, were all of a sudden expected to think in minutes. They had to come to grips with new concepts like credit cards and complicated machines like dishwashers” (Hooper, 1987: 28). That contact with mass tourism was confined to several areas meant that large areas of Spain still did not come into contact with ‘modern culture’. Spanish society changed radically on the surface, but the economic changes that were to sweep away the technocrats political ascendancy did not destroy strong regional cultures in Spain.

*Spanish Society and Economy under Franco*

The Franco regime was a repressive, authoritarian state, but retrospect may blind us from acknowledging that the regime also bought stability and a degree of economic growth. The traditional conservative forces in Spain provided a strong support for Franco, and this is reflected in many Spaniards ambivalent stance towards Franco today. The King himself, personification and defender of the new democratic era, was the personally chosen protégé and successor to Franco, and will not hear any bad word against him.

This consensus under Franco is important for the development of the business economy. The regions that were turbulent under Franco were also the regions with longer histories of independence and industry, once again underscoring old tensions between the regions. More important than this, the system of locked industrial syndicates created huge inertia in the labour market. Politically, unions and workers may have become the focal point of resistance to the Franco State, but they internalised the stifling bureaucratic mentality and came to view the stability that the syndical systems offered as rights. The long-term upshot of this was politically radical unions whose economic aims deeply conservative. They aimed to protect their rights and privileges – such as life long employment and strict job specifications – into the post-Franco era.

*Spain is Different - the Oldest Profession*

Spain, as the popular tourist slogan informs us, is different. Economically Spain certainly is different, highly dependent upon the tourism sector for over 10% of GDP.
Spanish tourism now retains more profit than any other European country, although this has not always been the case. Invisible income from tourist receipts balance the Spanish balance of payments and allow the economy to diversify and expand, fulfilling the function that financial services plays in the British economy. The annual number of tourists to Spain each year outnumbers the Spanish population itself. Every year over fifty million tourists visit Spain, and Spain still ranks first as Europe’s internal holiday destination\(^\text{27}\).

Tourism leapt from under three million tourists per annum in 1959 to 30.1 million in 1975 and 55.3 in 1993. Figure 2 shows the increase of tourist numbers.

![Figure 2: Spanish Tourism\(^\text{28}\)](image)

Spain’s largest industry is tourism, and it has held this dominant position in the economy since the early 1960s, generating twice the GDP that the heavy industries of steel and automobile production together. Spain relies heavily on foreign currency receipts derived from tourism, and has a positive trade balance, receiving eight income dollars for every one spent\(^\text{29}\). In the 1970s and 1980s, income from tourism offset the massively increasing trade deficit (Bote and Sinclair, 1996). One historical feature of tourism in Spain has been the low retained profits, due to the predominance

\(^{27}\) France is first (in terms of tourist numbers) for international tourism inside Europe.

\(^{28}\) Source: Bruton (1994) p. 16

\(^{29}\) Spain’s 1988 income/expenditure ratio of 8:1 ($12.058 million income for $1.512 million of expenditure) betters both French and British ratios of 1:1, whilst Germany are net losers with a ratio of 1:3).
of foreign owned tour operators. This is again evidence of Spain's inability to control and exploit economic resources (Ross, 1997). However, Spain is continuing to improve upon the net profitability of the industry, as mentioned in the previous section, although the relative importance within the overall economy is in decline. If the revenue from tourism is expressed as a percentage of national exports, the share can be seen to drop from 33% in 1970 to 21.6% in 1980\textsuperscript{30}, although in 1993 recent improvements in Spain's competitive advantage have boosted the share to 24.3\%\textsuperscript{31}. This shows the health of the economy, which is maturing in other areas despite the development of tourism (Roberts, 1996). However, the changing nature of the tourism market has continued, and Spain is gaining a more sophisticated traveller, whilst losing the budget package end of the market to Greece and Turkey, who have begun exploiting their similar geographic and physical advantages to attract the package holiday sector. Despite the drive to move to more 'mature' inland tourism, the bulk of tourism in Spain is still concentrated in the costa del sol, Balearics, Canary islands, the northern Mediterranean coast and Madrid (Bote and Sinclair, 1996). The industry receives heavy support from the government, who have achieved recent success with the 1992 Olympics (Barcelona), EXPO '92 (Seville) and European City of Culture 1992 (Madrid). However, the government did lose the potentially lucrative EuroDisney contract (now Disneyland Paris) to France. Spain should continue to

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
\textbf{Trade balance (billion pesetas)} & \textbf{1990} & \textbf{1991} & \textbf{1992} & \textbf{1993} \\
\hline
Tourism & 1 199 & 1 321 & 1 620 & 1 903 \\
\hline
Imports & 8 620 & 9 384 & 9 846 & 9 647 \\
\hline
Exports & 5 656 & 6 225 & 6 757 & 7 703 \\
\hline
\end{tabular}
\caption{Trade balance of tourism, imports and exports in billion pesetas.}
\end{table}

\textsuperscript{30} Source: Hugh Clout et al, (1985) p. 139
develop the premium end of the tourist market, shifting the balance of business beneficiaries from real estate and construction to tertiary business and improving the quality of Spanish services rather than the quantity. A greater spread in tourism may help ameliorate regional imbalances caused by the current concentration upon the southern costas (coasts).
CHAPTER FOUR: THE SPANISH BUSINESS ECONOMY IN THE 1990s

Spain, clearly, did not follow the classic examples of capitalist development, but could be considered to have followed a separate road to economic development. For all the problems in the preceding chapter detailing regional imbalances in the Spanish economy, the continued influence of the state sector and the vital position of tourism maintaining Spain’s balance of payments, Spain is now one of the forefront European countries. From being a developing nation in the 1950s Spain, by some measurements, now has the seventh largest global GDP, the fifth in Europe. The history of painful economic adjustments (ajustes) caused by the opening up of international trade (apertura) has given the Spanish economy distinct features. For example, industry in Spain was only dominant in the 1960s, as before this the primary sector was larger, and the 1970s saw a shift towards service industry (see Figure 3).

Figure 3 Active Population by Sector (1000s) 1970-1996

The technocrats regime built up the economy based upon heavy industry; heavy industry that was under-capitalised and technologically backwards in comparison with other European countries. Without the protectionism these industries would not have been able to compete, and therefore Spanish industrialisation would have been severely curtailed. This created problems in the long-term when the Spanish market was opened to competition, and FDI.

32 There is a body of literature challenging traditional model of industrial development. Among them Nadal (1973) elaborates that Spain has achieved industrialisation by a different route.
33 Source: Anuario El País 1997 p.433
EC entry necessitated controlling inflation, therefore the PSOE (Partido Socialista Obrero Español) government (1982-1996) focussed on controlling the wage demands of workers. This was one on the primary reasons for the rift between the then PSOE government and the main socialist union, the UGT (Unión General de Trabajadores). In 1986 Spain joined the EC as a full member. Despite a series of temporary protectionist measures (to allow Spain to adjust), which were phased out by 1993, this was the first time that Spanish business entered direct competition with that of European countries. Spanish business and management were not up to the task. In the word’s of the head of the CEOE (the major Spanish employers’ association, the Confederación Española de Organizaciones Empresariales), José Maria Cuevas, Spain was “out of the race before it even began”, and between 1985 and 1989 there was a 400% increase in the trade deficit and the closure of many Spanish firms. Despite these problems, this period saw another ‘economic miracle’, as the Spanish economy increased faster than any other European country (5% per annum between 1985 and 1990, Figure 4).

![Figure 4 Annual growth in GDP 1980-1990](image)

This was a sign of confidence by European investors that Spanish democracy was stable, and also a positive sign that attempts to reform the state sector were working. Despite the growth in the economy, GDP per capita was still lower than the European

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34 World Education Report UNESCO, 1993 p.119
average (Figure 5), emphasising the low starting point from which advances had been made.

![Graph showing GNP per capita, Dollars 1990.]

Figure 5 GNP per capita, Dollars 1990.

A less optimistic reading of the situation would emphasise the European economic boom, which cushioned Spain's entry into the EC, and that the EC itself helped finance the modernisation of the infrastructure via the European Regional Development Fund. The foreign investment bankrolling the economy was also once again concentrating the ownership of Spanish business in foreign hands.

The large-scale public spending programme (to boost the infrastructure) and the reliance upon short-term foreign capital and FDI was not a stable basis for the economy. As the economic boom of the late 1980s ended across the EC, Spain was exposed to recession. The government was unable to cool the overheated economy because of commitments to the 1992 programme of events (the Olympics and the international exhibition) designed to focus world attention upon Spain. For this reason the recession that followed was particularly protracted. This recession was exacerbated by the monetary requirements of the 1991 Maastrict agreement. The Spanish economy relied on a Social Cohesion Fund (1992) provision to help shield it

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The Spanish Business Economy in the 1990s

from the negative effects of increasing competition\(^{36}\). January 1\(^{st}\) 1993\(^{37}\) saw the removal of internal trade barriers across Europe, and found Spanish firms far too small relative to the European average, stubbornly turned inwards towards the domestic market, and by most measures uncompetitive, being oriented towards short term results rather than long term development (Boisot, 1993; Ross, 1997). Many Spanish companies were domestically strong, yet did not have an international focus. In this way they were unaware of the danger of comparatively larger foreign owned MNCs buying into their profitable company. This is exactly what happened to much of the Spanish banking industry. With great national market penetration, and significant modernisation and quality advances in the 1980s they were small in relation to European international banks and ripe for foreign take-over.

This leads us to analyse the state of the Spanish national market before moving on to examine the effects of FDI.

**Markets – Still Fragmented**

Boisot (1993) speculates that one of the explications for Spain’s poor performance and the structure of its industry can be ascribed to its regionalism. The poor infrastructure keeps firms orientated within their local market, therefore they are smaller than nationally orientated firms in other countries. He reasons that the influence played by state corporatism could be expected to have created a high degree of market concentration, and oligarchic behaviour. In actuality Spanish industry has not created significant market concentration\(^{38}\) (Buesa and Molero, 1988; Aquilo, 1983) because of historical factors:

- The lack of success of the INI
- Local market regionalisms.
- The narrowness of the industrial base.

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\(^{36}\) 59% of the budget in 1995 was spent on infrastructure and transport projects. “España recibirá este año 190.000 millones de los fondos de cohesión de la Unión Europea: Los fondos financier [proyectos] ... infraestructuras”  
La Vanguardia 8\(^{th}\) October 1995

\(^{37}\) Following the implementation of the 1987 Single Market Act.

\(^{38}\) Studies by Molero and Buesa (Buesa and Molero, 1988) indicate that market concentration in Spain is significantly less than in the USA or UK, “with only 23 from 133 sectors showing a high degree of concentration at either at the four firm, or eight firm level.”
The Spanish Business Economy in the 1990s

The low level of market concentration does not appeared to have increased market competition (Maravall, 1976; Aquilo, 1983; Boisot, 1993) as corporatism has favoured an oligarchic collusiveness between firms at the expense of the market. Yet the inefficiency of the state-owned structures and an undeveloped national market infrastructure negated oligarchic firms creating unified monopoly markets. In some areas (such as electricity generation and distribution) the state allowed mixed markets, with private and state companies working together under central planning. The late 1990s is seeing the government deregulate these markets for the first time\(^\text{39}\) (there will be total deregulation of the telecommunication market in 1998, for example\(^\text{40}\)).

Spain's fragmented markets acted against the development of integrated markets such as those found in Britain. As late as the 1960s there was no native sliced (processed) bread industry in Spain, and the company that broke the market (Bimbo SA) was founded in 1964 by a Mexican. Spain's largest retailer (and current 3rd largest non-financial company), El Corte Inglés, was also founded through Latin American connections\(^\text{41}\). Spanish markets are still fragmented, and the 1990s has seen foreign companies taking advantage of this by attempting to integrate markets by acquiring Spanish companies as a bridgehead to taking over several others. In 1988 a food sector report\(^\text{42}\) on market opportunities for European companies in Spain noted that the Spanish market was poorly developed, with the majority of food being brought fresh because of a lack of developed infrastructure for retail, processing, storage and distribution. This can be seen in the dairy market, where French companies have bought regional producers in the north. Spanish dairy producers are now locked into forming partnerships to preserve their markets and prevent take-over. National markets have been slow forming without the external influence of foreign competition. The process is somehow akin to the reconquista, as companies liberate isolated markets by incremental progress, slowly increasing penetration. The sharp divisions between markets may be a contributing factor for the reasons that Spanish companies have failed to establish distinctive brands.

Spain remains one of the EC's member states with the least amount of integration between industrial sectors. It also displays a lower degree of specialisation than

\(^{39}\) "La CSEN introduce por primera vez competencia en el sector eléctrico" Negocios 15th October 1995 p.5

\(^{40}\) "Fin de monopolio" La Vanguardia 1995

\(^{41}\) The phenomena of Spaniards returning from abroad, rich and bringing new ideas, is common is Spain, and those that returned have been coined as indios.
The Spanish Business Economy in the 1990s

countries such as France, Germany, Italy, or the UK. Spanish companies are small, smaller than their European counterparts as we have said. Table 6 shows that just over 1.5% of Spanish companies employ over 500 people, whilst companies of less than 50 employees total 75% of all business organisations. These small and fragmented businesses have prevented the build up of capital and R&D, and are unlikely to be able to compete with the foreign MNCs. Apart from sector of the food industry and small areas of Catalonia, Spain lacks industrial districts whereby small company concentration could create viable business networks able to compete with larger companies.

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Number of Companies</th>
<th>(% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>10254</td>
<td>20.48</td>
</tr>
<tr>
<td>10-19</td>
<td>10991</td>
<td>21.95</td>
</tr>
<tr>
<td>20-49</td>
<td>16295</td>
<td>32.54</td>
</tr>
<tr>
<td>50-99</td>
<td>5933</td>
<td>11.85</td>
</tr>
<tr>
<td>100-199</td>
<td>2745</td>
<td>5.48</td>
</tr>
<tr>
<td>200-499</td>
<td>1798</td>
<td>3.59</td>
</tr>
<tr>
<td>500-999</td>
<td>485</td>
<td>0.97</td>
</tr>
<tr>
<td>1000 or more</td>
<td>325</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Table 6 Number of companies by number of employees, 1995

This has made Spanish companies prone to take-over. For example, some 91% of the Spanish brewing industry is now foreign owned (Calori and Lawrence, 1991: Chapter 2). In the car industry all companies in Spain are foreign owned, as are the majority of their suppliers.

Private Industry in Spain

From the top thirty Spanish non-financial companies, only nine are controlled by private Spanish interest. The State has a controlling interest in seven (six from the top twelve), and foreign companies controlling interest in the remaining fourteen. Table 3 in the index gives a complete listing of these companies.

Unlike France, which also has a high number of SMEs (Small and Medium Enterprises) and family owned firms (Barsoux and Lawrence, 1990) this is not

42 "Alimerntaria '88: Spain Slow to Develop Brands" Frozen and Chilled Food, April 1988
43 There is a tradition of workers' co-operatives, but have not had the organisation to constitute a major economic force in the modern economy despite being influential in geographic areas and specialist products.
44 Source: Duns 50.000 Principales Empresas Españoles 1995 p.13
compensated for by having a comparable number of large native firms. Spain has only two of the world’s top 100 companies by turnover, whilst Spain’s neighbour France has the highest proportion (30)\(^45\). Spain’s two companies are the state holding group Téneo (77), and the state controlled energy company, Repsol (94). Worse, in the top 500 companies Spain only has another three (lowly placed) companies, one of these also state controlled and the other two private financial institutions\(^46\).

Why are Spanish private businesses so small? Traditionally management academics have been quick to suggest a lack of managerial talent (we have mentioned for example, how several leading Spanish MNCs were not founded by Spaniards), but many Spanish academics refute that there was an entrepreneurial failure (Fraile Balbín, 1991). Historically we have seen that factors such as the Catholic Church’s aversion to business and the social pretensions of a society based on the values of landed property and finance hindered the development of industrial capital formation. Some of these factors still manifest themselves clearly, such as limited capital for industry as banks still favour real estate investment. In a recent article (Carreras and Tafunell, 1996: 90) documenting the lack of large private businesses in Spain the emphasis has been put on macro-economic factors:

No hay grandes empresas industriales en España porque:
- Ha sido demasiado pobre cuando han aparecido nuevas tecnologías.
- El Estado ha distorsionado los mecanismos de mercado que hubieran podido asignar mejor el talento empresarial, y quizá
- Nuestra economía no estaba bien dotada (en términos de ventaja comparativa) para desarrollar ese particular tipo de empresa.

(There are no large Spanish industrial manufacturers because:
- Spain was too poor when new technologies were developed.
- The State distorted the market mechanism that could have allocated business talent more effectively, and perhaps
- Our (Spain’s) economy was not well endowed enough (in terms of comparative advantage) to develop these kinds of companies.)

\(^45\) Source: Anuario El País 1997 p. 416
\(^46\) Telefónica (301), Banco Bilbao-Vizcaya (436), and Banco Central Hispano Americano (467).
The crux of this argument, one I have heard developed by Spanish managers and academics alike, is that Spain has a talent base capable of running and creating large business, but that it was not able to gain political support. Whatever the true cause of this, the result seems inescapable:

Es mucho más probable que podamos ver grandes multinacionales gestionadas por españoles que multinacionales españoles.
(It is much more likely that we will see multinationals managed by Spaniards than Spanish multinationals.)
(Carreras and Tafunell, 1996: 90)

A Small Strategy – the Little Giants
The other side of the coin is that many Spanish private companies are forward thinking and innovative. In banking, for example, the Royal Bank of Scotland and the Banco Santander (Davidson, Fitzpatrick and Johnson, 1995: 151), the Caja de Salamanca and the Bradford and Bingley, formed strategic alliances. These companies enjoyed sharing resources, services markets and geographical market areas, gaining the synergy of integration without the risk or loss of control (Jarillo, 1993).
Other Spanish companies continue to develop as the major international player in one industrial sub-sector, and engage in limited partnerships and alliances with larger MNCs that need their specialist knowledge. The Spanish have termed these gigantes de media talla (medium sized giants)\(^{47}\). The construction industry in Spain is one example of this, with specialist companies in 1997 working on the London Underground Jubilee Line extension, companies very active in Latin America\(^{48}\), and building toll operated roads for the United States federal government.
It is improbable that these companies will become giant MNCs, and as we shall investigate, they are unlikely to grow because of the specific form of management in these companies dependent upon the environmental conditions of the Spanish business economy.

\(^{47}\) "Gigantes de media talla" Cinco Días 12\(^{th}\) November, 1996 p.15
\(^{48}\) "Dragados realizará un proyecto de 12.700 millones de pesetas en Colombia" Negocios 26\(^{th}\) November, 1996
Foreign Investment

FDI has had two major impacts upon the structure of Spanish economy:

• Spanish business is now dominated by foreign owned MNCs.
• FDI patterns are increasing the chronic imbalances in the economy.

There are great regional disparities in the wealth of Spanish regions, especially compared to EU averages. FDI is increasing regional disparities by concentrating investment in developed regions. This is adding to the effects of the technocrats 'poles of development' policy of the 1960s which institutionalised regional imbalances. This is a problem which Spanish governments from 1982, with EC help, have been trying to redress, without much success it must be said49.

In 1995 35%50 of FDI was to Madrid, and a further 25% to Catalonia. Of the remaining 40%, the distribution was equally unbalanced, with 11 of Spain's 18 autónimas receiving less than 2% each (a graph of regional FDI is presented in the appendix). In the regions of Madrid and Catalonia, the bulk of the investment goes directly into the capital cities (Madrid and Barcelona). These two cities are the tenth and sixth top European business cities respectively51. FDI financed 40% of industrial capacity being updated 1987-1988, but as usual, the areas suffering from obsolete capital equipment and industries did not benefit proportionately. In addition to this, terrorist activity by the ETA (Basque separatist) group is forcing vital investment away from this region52.

Even more disturbing, a full 93%53 of Spanish investment came from four regions: Madrid (54%), Cantabria (16%), Catalonia (10%) and Valencia (13%). This concentration is actually increasing54.

49 Governmental policy of trying to attract foreign investment has often been at odds with their espoused regional redevelopment plans. This has particularly hard hit the Basque country as a region based on tradition heavy state industries that are being wound down. Despite government schemes (such as incentives to foreign companies to locate in Asturias and the Basque country), there is a feeling that these measures are somewhat half-hearted.

50 Source: Secretaría de Estado de Comercio, 1997

51 "Barcelona desplaza a Zurich y es la sexta cuidad preferida para los negocios" 9th October 1995 p. 47; "Barcelona se consolida como la sexta mejor cuidad europea para negocios" La Vanguardia 4th November, 1996 p.41 Their source: Healey and Baker.

52 “Polémica en Euskadi por las multinacionales” Negocios 26th September, 1996 back page.

53 Source: Secretaría de Estado de Comercio, 1997

54 For example, 1996 figures (January to September) show that 49% FDI in Madrid and 25% in Catalonia, and Spanish investment abroad in 1996 are even more concentrated, with 72% from Madrid and 12% from Catalonia.
The Spanish Business Economy in the 1990s

The promise of FDI by multinationals is very tempting to the less developed regions, especially in light of continuing high unemployment. This situation gives MNCs enormous bargaining power politically\(^55\). Figure 6 shows the growth in FDI and the relatively poor Spanish record of investment abroad.

Emphasising their lack of outward vision, a significant number of Spanish managers feel that their nearest export market is Latin America\(^56\) because of close psychological connections, especially in the South where there is a strong feeling that Spain was founded upon trade across the Atlantic\(^57\). This is in contrast to the fact that the EC accounts for 71% of Spanish exports in contrast to 4%\(^58\) to Latin America. Many small and family owned businesses also fear change, and see development such as market convergence and total quality management (TQM) certification\(^59\) as threats.

![Figure 6 FDI in Spain and Spanish investment abroad, 1979 - 1996](image)

*Figure 6 FDI in Spain and Spanish investment abroad, 1979 - 1996*

**Infrastructure: Uniting Spain**

In 1992 the *Alta Velocidad Española* (AVE) high speed train started running between Madrid and Seville. The train was important to Spain in many ways, for it:

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\(^55\) "El País Vasco tienta alas multinacionales" *El País* 29\(^{th}\) September 1996 business section.
\(^56\) "Las empresas españolas invertirán tres billones en Latinoamérica en los próximo cinco años" *Negocios* 26\(^{th}\) November, 1996.
\(^57\) Something that 1492 forever reminds them: Spain was united as Southern Spain was freed from the Moors and Christopher Columbus (Christopher Columbus) discovered the New World. From this period began the rise of Spain as a great Empire, an empire based in Granada, Cadiz and Seville. Andalucian managers have not forgotten this.
\(^59\) "España se resiste a la Calidad Total" *Cinco Días* 14\(^{th}\) November, 1996 p.10
The Spanish Business Economy in the 1990s

• Addressed one of the basic infrastructure problems of the economy.
• Showed Spain as being modern and competitive in Europe.
• Demonstrated the strength and depth of the Spanish construction industry in accomplishing the job in only four years.
• Demonstrated the strength of Spanish manufacturing, as the trains are made under licence by the Spanish multinational Construcciones y Auxiliar de Ferrocarriles (CAF) in co-operation with the British-French MNC GEC-Althon.

The government planned 6,400 km of new roads between 1980 and 1992 of which 1,700 km were motorways). This has had a great impact on business. A logistics manager in Seville said that this had revolutionised distribution for his company. Journeys that used to take 22 hours by lorry in the mid-1980s now were cut to six hours. Business between the main centres of Madrid and Barcelona have also benefited from the recent (1993) puente aero service of hourly walk-on air shuttles between the cities.

Despite this, there are still weaknesses, as some major cities lack adequate roads, and the lack of infrastructure is one reason why investment continues to gravitate towards the developed regions. Not only this but the much-planned AVE line between Barcelona and France no longer seems to be a political priority, despite Catalan claims for a desperate need for the line. Vital infrastructure projects are the first avenue for governments seeking to cut public expenditure, with dire consequences for both developed and undeveloped regions.

The Spanish Economy in the 1990s

The 1990s witness a Spanish economy giving contradictory signals. Underlying structural problems and chronic high unemployment, both reflections that progress has had a price. Yet for all this business confidence is high, and has never been so buoyant for professional managers. The business press has boomed, with the publication of Expansión in 1985 and Negocios in 1988, to name but two newspapers. Even business awareness in less industrialised regions is being raised, with the publication of Economía y Empresas de Andalucía in 1997. The mass-market Spanish dailies also carry substantial pink financial sections, after the Financial Times. The majority of
Spanish managers are now well informed and fascinated by management developments and trends, extremely aware of the shortcomings of the Spanish business economy and eager to prove to the world (and themselves) that they are "capable, European people".

In summary of the preceding chapters, the economic environment in which Spanish managers find themselves working in the late 1990s is one of:

- Fragmented markets being drawn together, stimulated by MNCs entering Spain in order to increase market share, and Spanish companies reacting to this threat.
- Large state owned companies still significant actors within the economy, although the state is taking a hands-off approach in regard to their management.\(^{61}\)
- State sector companies moving into the private sector, with significant downsizing.
- Small company size, even MNCs are smaller than European averages.
- Many foreign MNCs in the marketplace, managed by Spanish nationals.
- A legacy of state intervention in the marketplace, including rigid laws still governing the labour market.
- Large regional imbalances, in terms of economic development as well as opportunities for management.
- A history of adversarial labour relations.
- Vastly increasing business awareness as more information is made available, and business schools continue to train graduates with a 'European outlook'.

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\(^{60}\) "El PP no considera prioritario el AVE a Barcelona y Francia" *La Vanguardia* 10 December 1995 front page.

\(^{61}\) "Segura plantea que el Estado siga como minoritario en algunas empresas públicas: Aunque sin participar en la gestión" *Expansión* 20\(^{th}\) November, 1996 p.39
CHAPTER FIVE: DEEP ROOTS: THE INI

In this section we shall examine the Instituto Nacional de Industria (INI), the state holding company that has long dominated the Spanish economic environment, and had a profound impact upon managerial values in business and commerce. Before restructuring in the 1990s, the INI was in the world’s top fifty trading groups, accounting for 30% of production in heavy industry and transport and 10% of all industrial production within Spain. Despite its enormous size, the reality in the 1980s was that the INI group contained large, over-bureaucratic, heavily subsidised non-competitive industries. The internationalisation of business within Spain has made the business environment extremely competitive, and industries in the state sector, or which were previously in the state sector, have undergone profound and rapid change.

In order to understand the business culture in Spanish business today, it is vital to understand the history of management within the state sector. This study is concerned with the INI for two primary reasons:

- To show how quickly, and in which ways, the business environment within Spanish companies has changed since the 1980s. We shall examine how the INI has been restructured and determine the importance of this to the business culture.

- The stereotype of management within the INI (production orientation, slow response, and strong military style hierarchies) has lead to a depiction of management in Spanish industry that typifies management in state industry in particular, rather than management in Spain in general. We shall examine the particular business culture that the INI created, and how this has changed. We shall also explore the ways in which the legacy of state sector management continues to affect companies today, both those in the state and private sectors.

The Intractable Problem
If death came from Spain, we should wait a long time.

British Viceroy of Naples, 18th Century

The INI became ever more dominant in the Spanish economy, yet ever more uncompetitive in relation to world competition. Successful industries such as shipbuilding were only able to survive because of state protectionism and a policy of keeping labour costs low. Attempts to make the state sector competitive failed. There are many reasons for this failure, but the primary reason was the inertia created by the Spanish bureaucracy governing the INI. The ‘bureaucratic mastodons’ (Carr, 1980) held back all reform because they were the creation of the ingrained Spanish social system, heavily influenced by the aristocratic temperament of the Spanish political class, with low regard for industry and commerce. Government filled posts in the bureaucracy, and made key political appointments to state industry. This government, civil service and economic collusion created an entrenched elite in the Spanish body politic such that corruption scandals have been a perpetual feature of Spanish political and economic life. In addition to this reform was hampered by:

- Inadequate financial resources.
- The inability to raise enough tax revenue.

INI in the 1980s

During the early 1980s the INI dominated the economic landscape in Spain. The INI's tentacles reached through heavy industry, through to small artisan manufacturers and services. The paradox of the holding company was its failure to regulate the large staple industries efficiency, whilst proving more successful with smaller business. Within the context of the national economy the INI was able to remain operational and expand because of heavy subsidies and the lack of competition. Heavy industry in Spain was still dominated by the INI, although as we shall see the structure of the INI and its importance in the overall economy had changed substantially. Formed by the

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62 Hooper, John “Corruption unites Spaniards against González” Guardian, 1995
63 The percentage of GDP derived from taxation in Spain is very low, 28.8% in 1987 opposed to an OECD (Europe) average of 38.9%, with Great Britain’s revenue at 38.1%. In Spain taxation is viewed not as a social obligation, but as state intervention to be avoided. Statistics taken from Shubert, (1990) p.256. Spain has the second lowest tax collection rate in the OECD (Japan is first) because of this “cultural aversion” to paying tax.

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Franco regime and inspired by the Italian fascist model of state ownership, the INI was created to allow the State to control economic development and performance. Its roots dig deep into the structure of the economy and have had a profound effect upon business development in Spain. The INI had been instrumental, for example, in the development of the heavy industrial regions, such as Basque country and Catalonia. Boisot (1993: 212) holds that “As with many state-sponsored investment organisations...the INI's mission became one of protecting existing jobs and the status quo rather than initiating entrepreneurial activity.” All this was to change profoundly on January 1st, 1986, when Spain joined the European Community (EC). From this point forward the inadequacies of the INI were to be exposed by increasing direct competition in the Spanish national market. EC competition policy also ensured that subsidies would be regulated and wound down. It was clear that major changes would have to be made.

*Between a Rock and a Hard Place: Restructure*

A major economic aim of the PSOE government (1982-1996) was to turn the INI group around. In the following section we shall chart how the restructuring has taken place within the state sector. However, in these post-industrial times, the INI has become a heavy industry dinosaur, and there have been moves to break up and restructure it in line with other European policies aiming to increase competition and political pressures to re-engineer state owned companies with the help of market forces. It was felt that the INI group companies were suffering from the perceived problems of excessively integrated and nationalised industries (Jarillo, 1993):

- Over-bureaucratization and unaccountable management.
- A general lack of innovation.
- Bloated costs.
- Unresponsiveness to the market.

After the group chalked up record losses in 1983 the government launched its *reconversión industrial* (industrial reconversion, 1984) policy, backed by public subsidy and credit. The policy had two primary aims to restructure industrial manufacturing in Spain:
Deep Roots: The INI

- To focus industrial development upon industries with good future prospects\textsuperscript{64}.
- To restructure companies into units large enough to compete on an international footing – as the president of INI and Téneo put it “la consolidación de un gran empresarial Español en la Nueva Europa”\textsuperscript{65} (the creation of a major Spanish business in the new Europe).

In addition to this its aims were to enhance the competitiveness of the state sector by:

- Making adjustments in capacity.
- Labour cuts and downsizing, from 200,000 employees in 1986.
- Financial restructuring.
- Technological modernisation.

By 1987 85\% of the envisaged cuts had been effected: amounting to about 71,000 job losses in the heavy staples of shipbuilding and steel. 30 companies were completely disbanded, leaving a core comprising 58 firms. Some of the remaining firms were partly sold to foreign investors, such as Volkswagen (the German automobile manufacturer) which bought a controlling interest in SEAT (the automobile manufacturer) in 1986.

The INI recorded its first profits in 1988 for 13 years, 49 of the remaining companies having improved their financial performance. Notable profits were made by Endesa (electrical production), and Inespal (aluminium). However, despite these improvements Ensidesa (steel) and Iberia (the Spanish national airline) encountered serious financial problems. The government bailed out Iberia, under EC directives that allowed state owned industries to receive a one-time payment for restructuring. By 1992 the groups consolidated losses were 58 billion pesetas, an improvement from the 85.7 billion pesetas lost in 1991, but in light of the continuing general poor performance of the was group still unsatisfactory. This situation was made worse by the poor anticipated potential of the markets that many ‘rust-belt’ INI companies

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\textsuperscript{64} The INI was the world’s largest shipbuilding group, for example. However, the government perceived (correctly) that competition in shipbuilding from south-east Asian economies would lead to serious decline.

\textsuperscript{65} Salas, Javier "El futuro de la Empres Pública" Anuario El País 1993 p.392
Deep Roots: The INI

competed in. The INI group now employed 140,000 people, down from 200,000 in 1986.

More drastic measures were required, and the government decided to restructure the INI group itself. On December 31st 1992, the INI was split into three separate groups, the heavy industry core constituting the INI, and 47 subsidiary firms creating a new holding company, called Téneo, and the formalisation of companies in which the state owned majority shares as the 'Grupo Patrimonio' (Patrimonio).

The idea was to strip the profitable companies from the group, and Téneo accounted for 80% of the former INI’s profits, 56% of the workforce, and 70% of its export capacity. In energy production Téneo is the world’s largest group by turnover. As the jewel in the old INI crown, Téneo is independent of government aid, and the underlying idea is that most of its companies should eventually be floated on the stock market. Although the PSOE government has never announced an official privatisation policy, in reality it has pursued a de facto programme vigorously. Some Téneo companies, such as the defence electronics company Inisel, merged with private companies, in this case Ceselsa. The majority of state sector companies have been sold to foreign MNCs.

The Patrimonio group includes strategically important companies, such as the telecommunications giant, Telefónica. Most of these companies are the most profitable of the state sector’s holdings. The plan is for the government to sell off its interest in these companies in stages, perhaps eventually in their entirety. The sell off is being pursued aggressively, starting with the selling of 24.5% of the state owned bank Argentaria in April 1993 and a further 25% in November 1993.

Iberia, (formerly an INI constituent company) found life in Téneo difficult. In the summer of 1995 the company illustrated the competitive problems of former INI

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67 “Las empresas públicas que compitan en el mercado deben pasar al sector privado” Expansión 9th October 1995 p.33
68 EIU Country Profile 1995-1996 The Economist Intelligence Unit, 1995
69 “Juan Villalonga completerá hoy la reestructuración de Telefónica” Expansión 20th November, 1996
70 Argentaria (the Corporación Bancaria de España) is the state ‘mega-bank’, designed to consolidate the Spanish public banking sector in order to form a bank large enough to compete on the European stage. State banking in Spain’s accounts for 13% of the total in face of 30% in Germany (Bruton, 1994: 40) The fragmented Spanish financial market has experienced competitive problems in face of much larger European banks market entry. Argentaria was formed by the merger of the major institutions, the Banco Hipotecario, the Banco de Crédito Industrial, the Banco Crédito de Agrícola and the Banco de Crédito Local with some smaller local banks in 1991.
companies competing in the marketplace, as it needed more direct intervention from the government to avoid bankruptcy. However, allowed only one government cash injection under EU rules, the EU competition commissioner, Neil Kinnock, turned down the Spanish government's appeal to intervene. PSOE had maintained that the previous payment should be considered a separate restructuring payment, and should fall outside of EU directives. The inability of some of the Téneo group, the supposedly profitable part of the INI, companies to survive without state subsidy underlines the government's problems in turning the group around.

Another major restructure was needed. Short term economic upswings and group restructuring could not hide the fact that in reality the INI was being broken up for disposal. The INI was left with the core heavy industries employing 50,000. In 1996 the INI was replaced by the Agencia Industria del Estado(AIE), itself divided into two groups: those groups of companies which were profitable and are in the process of privatisation, and those which could be classed as heavy 'rust belt' industry. In 1997 only one of these remaining companies returned a profit, the corporación siderúrgica (CSI, the steel producer), and this company was experiencing labour problems in its drive to downsize which were beginning to damage financial performance drastically.

In 1998 parts of CSI, as an unexpected success story, are going to be privatised. It is expected that many of the remaining core industries will eventually be wound down.

In 1995 the government decided to form another Téneo style group, the Sociedad Estatal de Participiones Industriales (SEPI), to come into being in 1998. This group will effectively come to replace Téneo, and further bleed the profitable firms from the INI core. These companies are not all being directly privatised, but controlling shares will be sold to private buyers.

Contemporary Group Structure

The contemporary organisation of the state sector is now as follows (autumn, 1997):

- AIE: hard core of remaining large-scale heavy industry companies (42,859 employees).
- Téneo/SEPI: the more profitable companies, being run for potential privatisation (76,202 employees).
- Patrimonio: strategic sector with state controlling interest to be sold off (145,446 employees)

The full group structure of the state sector, by interest, group and sector is presented in the appendix as exhibits F, G, and H. The companies that formed the INI now employ 119,061 employees, down from 200,000 in 1986. More cuts are planned. Companies in both Téneo and the Patrimonio have had to compete in the international market and private companies have bought interests in them. The successive governments of PSOE and the PP (Partido Popular) have tried to make the AIE competitive. The significance of these changes is far-reaching, and stands as a metaphor for the current development of business in Spain. The INI still plays a major role in the economy, and is a surviving relic of the authoritarian interventionist state. But within the surviving industries there exists a dichotomy that further illustrates the wider picture of the rapid change in the Spanish business economy. This is that whilst the state industries can act as a residual area for dead industries, archaic business practices, and overbureaucratic paper orientated attitudes (Jarillo, 1993), there is also new generation of target driven and internationally orientated managers. This can be shown in the new-found export orientation of the Téneo constituent groups, with 30% of sales being export derived, 16% higher than the average in Spain (Bruton, 1994). In the more sheltered environment of the AIE the division between the past expectations and the new ones are more marked, and there is conflict between new and old managerial methods and priorities. This reflects the disparities between the aims, methods and organisation of the more traditional Spanish companies, and the new 'market orientated' companies in general.

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71 “El gobierno negocia la venta de la siderurgia con 4 grupos europeos” La Vanguardia 2nd November, 1996 p.48
72 The Patrimonio companies were not officially part of the INI group, therefore their employment figures are not part of earlier statistics presented in the thesis pertaining to INI group employment figures.
73 The PP government (1996 – present) is committed to continuing the PSOE policy of privatisation. Muñoz, Rojíñ and Serrano “Privatizaciones: El Retroceso de lo Público” Anuario El País 1997 p.381
74 The INI’s impressive export performance may be alternatively be explained by the fact that most large industries are INI/ Téneo members, therefore are more likely to have export orientation (and potential) than small business. Furthermore, the INI has companies in many export orientated industrial sectors.
Business Culture within the INI
The impact and legacy of the INI upon management in Spain has been very marked. Spanish companies and MNCs locating in Spain must continue to operate in the business environment that was largely informed by the practice of INI management. In the next section we shall examine the business culture of the INI, and how, and in what ways, it has changed. In addition to this following section, the thesis in general is suffused with examples from ex-state and state sector companies. It would be almost impossible to overestimate the impact that the state sector attitudes have had upon the development of managerial attitudes in Spain.

Law and Order
A distinct business culture developed within the state sector companies. In the 1980s many of the senior managers in the state sector were political appointments. Many of these INI managers had military backgrounds, and in the words of a manager in an ex-INI company, “they brought their expectations and hierarchy with them. They brought a law and order culture.” Essentially bureaucrats rather than businessmen, the INI managers ran industry as though it were a branch of government. This desk-bound civil service mentality was given the name *funcionalismo*, derived from the word *funcionario*, meaning civil servant. The implications of this are described in the following testimony from a senior manager in the ceramics industry. The manager had been working in the company before incorporation into the INI group in the early 1980s, and was now a senior manager in the company after privatisation in 1994, so had a unique perspective as to how the INI governance had changed the business culture:

> Previously, the managers were appointed from Madrid. They had no experience in the sector, and no business knowledge. They had no interest in the business. However, every manager that was rotated in tried to make important changes to show how his administration was different from that of previous appointees. These were not business decisions. The managers were very authoritarian, so you needed their permission to implement decisions. Communication was very difficult – especially as they mostly used to spend at least three days a week in Madrid!
Many managers with experience in the state sector gave accounts of information brokering by their seniors. The regional head of a company in the Patrimonio currently being privatised told how:

Information was very difficult to get. Senior managers saw information as a source of power. My boss kept company policy directives, and even training manuals, in a locked cabinet in his office to ensure that we were dependent upon him.\(^{75}\)

The majority of Spaniards have a wealth of anecdotal evidence about dealing with the state sector. A management professor told me a typical case underlying the problems with the sector, that it is protected and unaccountable. He related how once secretaries, for example, finished their probationary period they “literally never did another day’s work.” In this case the secretary was not a fictional or third hand character but a member of the academic’s family. In a damning series of articles exposing inefficiency in the state sector, the newspaper *La Vanguardia*\(^{76}\) reprinted a list of sayings about the sector employees, a representative of which was:

A nada nos acostumbramos tan rápidamente como a trabajar despacio.
(There is nothing one can so learn so fast as to work slow.)

The obstinacy and sluggishness of the state sector bureaucracy has been corrupted in popular language into *burro-cracta*, from the word *burro* (meaning donkey). *Mañana* (tomorrow), for many Spaniards come to represent that phrase by which bureaucrats and state sector employees would inform them that they would have to return ‘tomorrow’ for their requests. And, of course, tomorrow never came.

The Dynamic and the Jurassic

In Spain there is dynamic change within the business environment due to internationalisation and privatisation. However, the depiction of the ‘law and order’ culture of the state sector has not changed overnight. The process of cultural change is

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\(^{75}\) A more developed account of change in this particular company is given in the section on state sector firms in the chapter “Authority, status and hierarchy”.

\(^{76}\) 14th October, 1996
slow and incremental. Managers interviewed about the experience of their company were not bold enough to claim that the business culture has changed completely, although most are confident that rapid, deep reaching changes have been made. In many companies there is still a high average age in upper management, and many senior managers, who were managers under the INI structure, are still influenced by that environment. In the words of a senior manager in a leading Patrimonio group company, “there are now two business cultures in the company: the dynamic and the Jurassic.” In this section we shall explore contemporary management culture within the state sector, and show how the new ‘dynamic’ business culture and the older ‘Jurassic’ culture interrelate.

The pressure of international and domestic competition, and acquisition by multinationals, has forced the need for rapid change in state sector companies. Despite this, the influence of INI management is still apparent in many companies, but as we have noted, the business culture is changing, and these pressures necessitate that this change continues.

There are also many state sector companies that managed to remain outside the insidious influence of the funcionalismo attitudes. Some successful companies incorporated into the INI were left alone. The production manager at an aluminium company described his company’s experience:

Although the INI group acquired us in the late 1980s, we were left as we had been before. We are far slimmer and more market responsive than the other INI companies in our sector. It’s a different orientation, a different mentality: they are political and we are profit and market driven.

Companies that were lucky enough to retain their own management to keep their strategic independence could rely upon managers similar to managers in any Spanish company. A manager currently working for a British MNC in north-western Spain spoke of his experience working for INI companies. Describing the difference in business culture he made the important observation that:

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77 In all ex-state sector companies, and those in the process of privatisation, the senior INI (or state) appointed managers had been ‘swept away’.
Under the old (INI) regime there were plenty of dynamic managers, but they were forced out of the company. They had to go. It was not that Spain did not have these managers. It was that they did not ‘fit’ in with the state sector mentality.

In some business press surveys of management in Spain, formulaic and superficial as many are, many use phrases such as ‘younger generation’ managers, or ‘new’ managers when accounting for cultural change in Spanish companies. Although these terms do have some validity, they tend to mask the important subtleties of cultural change in Spanish companies. To some extent the changes in business education that we described in the chapter on education, and the changes in the competitive environment, have resulted in many young managers having a more market orientated outlook. However, the manager in a state sector company in charge of programmes designed to implement cultural change gave some important insights into how broad-brush terms such as ‘younger managers’ and ‘new generation’ can be misleading:

It is important to remember that when you say ‘old’ managers or ‘older generation’ that you realise that these refer to managers of a specific era, not the age of the manager. Because the managers with the ‘old mentality’ ran the business, they influenced the conduct of their subordinates – younger and older. There are young managers just as hidebound as their older mentors are. Likewise there are older managers who are target oriented and dynamic.

The researcher noted this especially in AIE companies (non-profitable state companies) where the senior managers brought in from private companies to effect turnaround were usually older than those managers who they are ostensibly trying to retrain, yet were referred to, ironically, as the ‘younger generation’.

The business-restructuring craze of the 1990s has been the catalyst whereby the ‘dynamic’ managers have tipped the balance against the ‘Jurassic’. Companies

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78 This is probably a good thing regarding the importance of the leader in Spanish companies, which we will deal with in the chapter on status and hierarchy. Also there is evidence that age is an issue in state sector companies and has a bearing on the respect a manager commands (there is an example given in the status and hierarchy in state companies section later in the
downsizing have tried to use the opportunity of collapsing hierarchical levels and reducing managerial headcount as a way of clearing out 'dead wood'. It is at this point that the discussion about the business culture of the INI becomes relevant in the modern business context. Even though INI appointed managers may have been removed from companies many years ago, their influence (through the perpetuation of the business culture, their remaining protégés, and the tacit rules and assumptions that became ingrained in the company) is still felt. This can be shown most aptly by examining a now private sector company that has not been state owned for over 20 years. Despite reducing the number of hierarchical levels from 40 to 4 and reducing the number of managers by 100s, managers working there can still detect the business ethics and culture of the state legacy in the patterns of rigid authority relations, bureaucracy, and status consciousness. The company in question, although radically different from when it was a member of the INI, is still now reorganising to break the remaining traits descended from over 20 years ago. This is why a thorough understanding of the INI culture is vital to understanding much of business in Spain in general.

Now we have examined how the 'Jurassic' attitudes are perpetuated in Spanish companies, we shall examine the 'dynamic' aspect explicitly. Managers are learning the new results orientated business culture of international business. International competition and privatisation have been the primary influences of this trend in the state sector, and competition (and acquisition) by MNCs the driving force in private companies and family business. However, despite the fact that the new business culture is influenced by the demands of international business, and often set by the policies of multinationals companies, there are social and cultural factors determining the implementation and execution of management procedures. Spanish business culture is not turning into an exact copy of business in any Western market economy: there are distinct features influenced by the Spanish business and social environment.

Management in Spain in changing from the 'Jurassic' in state sector companies. An indication of the changing attitudes is given by Contreras as he states that “whereas the public sector is reputed for its inefficiency and mañana attitude, the dynamic private sector does not share that attitude” (Contreras, 1993). And much of the state sector is coming to resemble the private sector – or has passed into the private sector.
The empirical material compiled by this research project has found evidence that there is a distinctly Spanish business culture developing in many ex-state sector industries, family owned companies, MNCs and private companies operating in Spain.

Summary
The state sector has had an impact upon business culture across all the sectors of Spanish economy. As many senior INI managers moved from the public to the private sector, or were appointed to companies that the state sector acquired, they brought their values and culture into the organisations. In this way the distinct culture of the INI was diffused throughout the economy. These managers brought their 'law and order' culture with them, and we have seen how pernicious that influence has been. The continued resistance to change and over-regulation characteristic of this mentality still exists, at least to some degree, in many Spanish companies attempting to reform their culture. Perhaps reports of the INI's death are exaggerated, but a turning point seems to have been reached and the worst features of Spanish business that the INI represents are becoming increasingly rare.

In this context management within state sector firms can be seen as evidence of the rapid transformation within Spanish industry. Within the state sector there has been a rapid growth of a 'new generation of managers', managers bringing private sector expectations, experience, and practices developed in MNCs, into the traditionally low performing state sector companies. In this way the story of the INI serves to illustrate many of the changes occurring across all sectors of Spanish business.

The empirical material compiled by this research project has found evidence that there is a distinctly Spanish business culture developing in many ex-state sector industries, family owned companies, private companies, and MNCs operating in Spain. Throughout the thesis we shall refer to the INI business culture in different contexts, and develop the theme as to how distinctly Spanish values are shaping the changing business culture in Spanish companies, and affecting the implanted values of MNC management.
CHAPTER SIX: EDUCATION, TRAINING AND DEVELOPMENT

Background

To appreciate business culture in Spain, it is important to understand the educational system. The educational system has many important effects upon business, both in the personal development of managers as individuals, as a class in general, and in the role the educational system plays in shaping the labour market upon which companies rely. In a broader context, it could be said that the educational system not only reflects the culture of a country, but also moulds the society itself. Management is achieved primarily through the interaction between people, and to understand the education system is to some extent to understand the people. In this section the educational system is described and analysed in this connection, firstly by examining the educational structure that was experienced by practising managers now at senior and middle levels (the late 1960s and the 1970s), then to detail the pertinent changes in that system up to the present day.

An Overview of the Educational System

Before we describe in detail the structure of the educational system, we must outline the environment in which the system operated. The Franco regime, as we have shown, was conservative and rigid, unwilling to address the problems of the demographic boom, and the need for modern skills in the workplace and management. The needs of the labour market were not considered in the planning of the educational system, especially as the system of vertical syndicates was the antithesis of a flexible labour market which would demand more flexible training. Thus by the late 1960s and 1970s, when many senior managers were undertaking their schooling, the educational system was in trouble. The origins of these problems ran deep:

- A poorly developed infrastructure and low levels of industrialisation prior to the 1960s.
- The stifling of the educational system in the post 1960s as bureaucratic paralysis was compounded by demographic trends causing a massive over-expansion of an already strained system.
- The lack of a coherent modern education policy during the Franco period to address these problems.
Education, training and development

• The division between public and private education.

These deficiencies have given managers in Spain some interesting features. This is particularly the case with reference to backgrounds, development, and career paths. The most obvious impact of the problems noted above, however, was the badly trained labour force. In the 1970s this was "one of the worst trained and least educated workforces in the Western World" (Bruton, 1994), and this can be traced directly to weak educational structures.

The Educational Structure
Educational policy is still largely centralised under the Ministry for Education in Madrid, despite regional autonomisation. The ministry has control over:

• Overall legislation and planning.
• Regulation and validation of standards.
• Subjects levels and content, the national curriculum.
• Minimum standards.

The other powers are locally administered, and regional universities have developed their own languages and schemes.

The basic educational structure in Spain 1970-1996 is as follows:

• 0-3 years: Play school. 10% national enrolment, a mixture of publicly and privately funded schools both free and fee paying, often business / local council backed.
• 4-5 years: Nursery. 96%\(^{79}\) enrolment in 1993, helped because of the falling birth rate.

\(^{79}\) In some ways the high percentage of Spanish children in pre-school education hides the real situation. The high number of private nursery schools have created an educationally privileged group of children, with whom their later primary school peers never catch up with. The reason for this is that many of the existing state nurseries are more "...more nurseries than schools." (John Hooper, 1986 p.99), and the students who attend no kindergarten, the los de la cartilla, find it very difficult to achieve parity.
- EGB (the *Educación General Básica*): 6-14 year olds. Basic nationally set curriculum.

Students then either follow either of the following courses:

- **BUP** (*Bachillerato Unificado Polivalente*): A three-year academic course covering a broad range of subjects.
  - Or
- **FP** (*Formación Profesional*).
- **COU** (*Curso de Orientación*): One-year university orientation course.
- Further or higher education.

Table 7 - Educational input/output indicators (1000s) shows the expansion of the educational system from 1975-1996.

<table>
<thead>
<tr>
<th>Input and Output Indicators</th>
<th>1975</th>
<th>1985</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pupils (thousands)</td>
<td>7,517</td>
<td>8,696</td>
<td>9,182</td>
</tr>
<tr>
<td>Post-compulsory BUP/FP</td>
<td>1,483</td>
<td>1,975</td>
<td>2,679</td>
</tr>
<tr>
<td>State school teachers</td>
<td>156</td>
<td>271</td>
<td>360</td>
</tr>
<tr>
<td>Higher Education</td>
<td>557</td>
<td>822</td>
<td>1,529</td>
</tr>
</tbody>
</table>

Table 7 - Educational input/output indicators (1000s)

In the following sections we will examine how successive governments tried to reform the educational system in light of the deficiencies which we noted in the chapters introduction. We shall then examine the specific components of the educational system in more detail.

Revision Time

Successive governments however did try to address the deficiencies of the educational system. The most significant development in the Franco period was the 1970 reform act, which established the educational structure that is fundamentally still in place today. The 1970 General Education Act that is, established the minimum school leaving age of 14, and set the *Educación General Básica* (EGB) as the course of basic lessons to be taught between the age of 6 and 14. The post-Franco UCD (1977-1981) government tried to improve the poor performance of Spanish education by introducing an updated curriculum, the so-called *programas renovados* (revised programme). New subjects were introduced into the EGB, such as Constitutional

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80 Source: Ministerio de Educación y Ciencia, 1996
Education, training and development

Studies. However, the new subjects were simply added on to the existing teaching framework. The UCD also extended primary education cover by subsidising private schools, effectively integrating them into the state educational system without control of their standards or course content.

Before the UCD reforms even basic education was more for the privileged than for the majority of the population. Despite setting the basic enduring educational structure the reform act had limited success and did not solve the underlying problems, namely a lack of adequately trained teachers, funds and space. These problems were especially critical at the extremes of the system: for pre-school education and university education. The lack of places for pre-school education fostered a class of people who upon starting the EGB at 6 years old never caught up with those who had already benefited from pre-school schooling (Hooper, 1986), who most likely had their position strengthened by attending private primary schools later. This section of society was the most likely to leave school at 14 without adequate education and contribute to the aforementioned labour problem. At university level, the demographic boom of the 1960s saw the university system unable to cope with student numbers, and teaching quality fell. This was further exacerbated by the UCD government’s promise of free universal primary and secondary education, allowing college and university places to anyone with the basic school qualification taken at 16.

The major educational changes brought in by the 1970 reform were necessary but although this led to “a notable advance in education in Spain,” Spain still lagged behind general European educational levels. The number of students failing the EGB in 1981 was 33%. This figure signifies the amount of students who effectively left school without academic or vocational qualifications. This improved to 25% in 1986, but this was still:

One of the highest failure rates among countries with a comparable educational system. Much of it has to do with the standard of teaching, which is nowhere near as high as it ought to be, largely because of a

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81 "Educational adjustment in Spain", World Education Report (1993) UNESCO Box 3.8 p.60
82 The failure rate is the percentage of students who either do not complete the educational course or do not achieve even the minimum grades.
woefully inadequate teacher-training system and the poor rates of pay for teachers.\textsuperscript{83}

The next major educational reforms were the reforms of the PSOE Socialist government of Felipe González (1982-1996). The most important laws were:

- 1983 University Reform Law (LRU, \textit{ley de reforma universitaria}): This law made the universities independent from the government in all matters regarding teaching; this had been subject to strict controls under Franco; and also tried to integrate the universities into the modern world.

- 1985 Organic Law on the Right to Education (LODE, \textit{ley orgánica del derecho a la educación}): This law was designed to democratise education in Spain. It mandated that private schools subsidised by the state follow the national EGB curriculum.

Both of these reforms helped the government standardise the higher variable quality levels and the curriculum content between schools, take education further from the realm of the privileged and moderate the influence of the church in education.

Despite these advances, these improvements were to the 1970 system rather than the radical changes necessary. Structural change in the educational system was needed rather than cosmetic changes. The primary education system in Spain still had a long way to develop if it was to give future workers a good educational grounding. For example, in 1990-1991 IEA (International Association for the Evaluation of Educational Achievement) reading test scores for 14 year olds\textsuperscript{84}, Spain performed poorly, scoring substantially less than Belgium, Italy, Portugal and the other Western European nations. It was also bettered by the former Eastern block countries and the less developed European countries, such as Greece and Cyprus, and tiger economies such as Thailand.

The 1990 Organic Law on the General Organisation of the Education System (LOGSE, \textit{ley orgánica de la organización general de la sistema educativa}) sought to lay the foundation for a new educational system, and address the structural educational issues squarely. For primary and secondary education a new system was

\textsuperscript{83} Hooper (1986) p.99
planned, designated Obligatory Secondary Education (ESO, enseñanza secundaria obligatoria). The new system is designed to replace the current system of primary and secondary education, being phased in from 1992 until the year 2000. The specific issue that the LOGSE aims to address are:

- The failure to regulate pre-school education, and to provide more widespread infant education for 3-6 year olds.
- The high failure rate of students during the EGB.
- To reform the FP (formación profesional) vocational training course system, and the attempt to end the social discrimination towards it.
- To supplement the FP, the government has announced new professional training programmes that offer courses in skill shortage sectors of the economy.
- To relate the academic bias of the BUP to the more practical parts of the curriculum, and to increase the number of special subjects and options within it.
- To minimise failure rates.

Private Education: A Catholic Education

In the Spanish context however it not sufficient to describe the state educational structure without raising the issue of private education. A major problem affecting the development of a modern education system in Spain has been the prominence of private education, accounting for some 26% of all students in 1996-97. Spain has favoured private education as earlier, in Spain's pre-civil war period, the economic structure necessary for a comprehensive state school system was inadequate. General Franco reached an accord with the Catholic Church, hoping to use the Church to ensure social conformity and stability (Carr, 1980), allowing it more influence over national educational content. This augmented the Church's control of education, ceding them the right to run their own universities, always a strategic aim of the Catholic Church. Private education in Spain is not solely the preserve of the rich, as the años de desarrollo (the 'development years' of 1960s industrialisation) created a demand for more educational establishments because of population growth, and this strained the existing state structure. Because of this shortfall private education was used to bridge the gap, with the government subsidising private schools, many run or

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owned by the church. Standards were not always up to the standard of state schools. When the UCD decided to offer universal free education, there were not enough school places to accommodate all the potential scholars. Thus to ease the strain upon the economy the UCD decided to continue and expand Franco's policy of funding private schools to teach the EGB, effectively conceding control of the lower educational system to the private sector. The UCD could claim that there were enough schools to cope with demand, even though this counted fee paying schools in which parents had no choice other than to enlist their children in (Hooper, 1986) because of a lack of state schools. When the socialist PSOE came to power in 1982 they made private schools conform to state criteria and standards if they wished to stay eligible for public funding, and mandated that to receive the subsidy the private schools must also follow the national EGB curriculum.

For social reasons private education is also important, education having been the preserve of the privileged until the mid-1970s. Even now in Spain where the level of state education has risen dramatically there is considerable social cachet attached to the private schools, especially because of many of their church connections. This is today true even at University level, where perhaps its impact is even more important. Years of neglect and masificación (the over-expansion and bureaucratisation of the educational system) under Franco contributed to the low quality of state university education, making private university education more attractive to those with the means to pay. The importance of the Catholic Church within Spain has left a legacy not only of private Catholic schools, but also universities. Although only 4%\(^6\) of university students' education is directly controlled by the Church, the influence of the 4 church owned universities is disproportionate. The organised Church is not the only religious body to control education, as the Opus Dei (the Opus Dei is a Masonic organisation.) and the Jesuits both own and control influential universities, especially in regard to business studies. The Opus Dei owns the University of Navarre, which because of their reputation for achievement "is extremely fashionable with conservative upper-middle-class Spaniards, and therefore exercises an influence far greater than its size would suggest.\(^7\)

\(^{85}\) Source: Ministerio de Educación y Ciencia, 1996.
\(^{86}\) Source: Ministerio de Educación y Ciencia, 1996.
\(^{87}\) Hooper, John *Ibid.* p.102
business school in Europe\textsuperscript{88}, is part of the Opus Dei’s concerns. The Escuela Superior de Administración y Dirección de Empresas (ESADE) is one of Spain’s top business schools, and is run by the Jesuits: as one alumnus manager put it to me, “the motto \textit{‘puro y duro’} (\textit{‘pure and hard’}) is rigorously enforced.” Thus the position and influence of the private education sector in regard to management training will be examined in the section upon business schools.

\textit{Primary and secondary Education}

The Educación General Básica

The EGB forms the basis to state education, and is aimed at the ages from six to fourteen, when compulsory education ends. Satisfactory completion of the EGB leads to the student gaining the diploma of \textit{graduado escolar} (school graduate), and the ability to proceed on to the next educational levels. Although it is not mandatory to continue education after the EGB, it is exceptional not to, and students must choose between two discrete and competing educational tracks, that of the BUP and that of the FP.

One of the structural problems with the education system in Spain is this organisation of a two track secondary education system, splitting students at fourteen into these two competing tracks.

The Bachillerato

The \textit{Bachillerato}, or BUP, teaches students from the age of fourteen to seventeen, and is a three-year academic course. The emphasis is firmly upon classical education, with Latin and Greek being course staples, along with the requirement to study \textit{Castellano} (Castilian Spanish\textsuperscript{89}), mathematics, science, and a modern foreign language. The role played by the \textit{Bachillerato} in comparison to the British educational system is difficult to compare. In effect the course replaces GCSE’s (General Certificate of Secondary Education, two year course for 14-16 year olds) and A-Levels (Advanced level, two year course for 16-18 year olds.), although unlike the British A-Level it is not


\textsuperscript{89} Although English speakers refer to Castilian as ‘Spanish’, Spain is host to several languages. \textit{Castellano} is the name by which Spaniards, and more significantly other \textit{Castellano} speaking countries (notably Latin America), call the language. Spaniards are keen to point out that ‘Spanish’ covers \textit{Euskara}, \textit{Catalan} and \textit{Gallego}.
adequate to gain a place at University. To this ends promising students need to take a further one-year orientation course, the COU (Curso de Orientación Universitaria).

Formación Profesional: The wrong skills
The FP is split into two separate two year phases. The first phase is compulsory for all students opting for the Bachillerato. In this phase, basic vocational skills, such as clerical work, hairdressing and other low key tasks are taught. The second optional two years are more specialised.

As the number of Formación Profesional students doubled between 1975-1991, the Formación Profesional has continued to gain students from the more academic Bachillerato track, and had experienced a relative increase in students numbers, although as Table 8 shows the late 1990s saw this progress slow.

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<tr>
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<tbody>
<tr>
<td>BUP/COU</td>
<td>1,299,346</td>
<td>1,631,377</td>
<td>1,289,920</td>
<td>1,121,854</td>
</tr>
<tr>
<td>FP</td>
<td>734,186</td>
<td>875,801</td>
<td>719,725</td>
<td>632,293</td>
</tr>
</tbody>
</table>

Table 8: BUP/FP Student Numbers

This situation does not resolve the mismatch between employer demand and labour supply at all levels. More specifically to industry, at a skilled level industry is finding it harder to fill places, suggesting that even though the number of FP graduates is increasing the skills are still not the required ones.

The problem is the nature of the Formación Profesional itself. The skills and qualifications are not seen by industry as relevant, as they are aimed at the less skilled end of the market. Secondly, the division between the BUP and FP is too rigid; once a student has enrolled upon an FP course they cannot apply to a university. There is strict segregation of the students, with no opportunity for interchange. This is a contributing factor to the bias towards the BUP route, as this route has more potential future options, and affords higher social status.

In Spanish society in general there is disdain for manual work (Hooper, 1986, Bruton 1994), and the FP carries a social stigma. A local government departmental chief in the department of work outlined how this prejudice manifested itself:

The social hostility to the FP is very strong. The FP is held to be a lower level qualification, denoting a lower social standing. An important part of
one's *comportamiento social* is to have academic BUP qualifications. For industry the FP is so important: for the individual the BUP so valued. The BUP is the only route to University, so people are very reluctant not to take it.

John Hooper identifies the problem of FP acceptance by outlining the two main problems caused by the rigidity of the separation between the two educational streams:

It is not possible for anyone who opts for the *Formación Profesional* to go to university, so there is a natural temptation for pupils to play safe by going for the *Bachillerato* even if they are more cut out for vocational training. Having said that, it was probably inevitable in a country where manual labour is so thoroughly despised, that any course devoted to practical learning would acquire a poor image in the eyes of the public.  

This chicken and egg situation; the FP lacks social status so has low take-up, the FP has low enrolment and therefore has low social status; this would be helped if the employer gave impetus to the programme by recognising and encouraging it. Contrary to this Kevin Bruton (Bruton, 1994), cites another deterrent to the *formación profesional*: that it is not regarded positively by employers:

Since parents have tended to keep their children in the academic lane by having them repeat years rather than allowing them to proceed along the less prestigious *Formación Professional* route, FP diplomas have been slow to gain acceptance from Spanish employers.  

The PSOE and PP (1996 - present) governments have tried to amend some of these problems. For example, new courses are being added to the *Formación Profesional* curriculum to make it more relevant to employer needs. In some schools the students are being kept together until the age of 16, and, this will eventually become law across Spain as the relevant LOGSE (educational reform) legislation comes into effect.

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91 Bruton, Kevin *Ibid.* p.87
Commenting upon the effects of these changes a manager thought that the reforms had been:

In some cases it has been very good, but overall insufficient. They are very limited, and bound to specific skills training, they still lack good courses in accounting and business management.

Curso de Orientación
The COU combines three core subjects (Castilian language and Castilian literature, mathematics and a foreign language) with three optional subjects, and is the route by which students gain entry to university. Students also now have to sit university entrance exams, although the standard of these varies very widely.
It is significant to note that the preferred foreign language has changed from French fifteen years ago to English, the international business language, with German second.

Escuelas Tallers
The escuelas tallers are artisan workshops where students learn the practical skills involved in traditional crafts such as carpentry and stonemasonry through restoration projects. The courses give students an excellent grounding in concrete skills, and perform a valuable public service in the upkeep of historic buildings. Despite this the course sells its students short in that business skills and the knowledge necessary to run a small business are not taught: fundamentals such as book keeping or organisational skills.

Towards the 21st Century
When the LOGSE is fully implemented by 2000, the school leaving age will be raised to 16. The changes that the LOGSE have made have laid the foundations for a new educational structure, the ESO (Enseñanza Secundaria Obligatorio). Officially the ESO commenced for new students in 1996-1997 term. Students will study primary education from 6-12, then follow the ESO secondary track from 12-16. At the age of 16 they will then have the chance to study the FP or a revised COU. There are problems for the implementation of the LOGSE and the ESO however, firstly funding problems. With a crisis in public funding during the first years of the Aznar government, educational reforms are suffering (Blanco, 1997), reforms designed to
give Spain educational parity with other European countries. A local government official commented upon other, more ingrained factors that are problems for the implementation of the new skills needed in the FP and ESO programmes:

The change to new skills in secondary education and the FP will be very slow because it depends on the attitudes and skills of the individual teachers, who are often hostile to the new subjects. They think that studies like ethics, business studies and religion are asignaturas glórias, a joke on the uselessness of religious education classes for anything, that they servir de nada (are good for nothing).

University Education: Far from Uniform

Far from us the dangerous novelty of thinking.\textsuperscript{92}
Loyal address given at the University of Cervera 1823

Spain currently has 39 Universities, 4 of which are private and are run by the Catholic Church or Opus Dei. Alongside this Spain also has a third university track, with separate technical universities. Many public universities in Spain suffer from the legacy of the Franco regime. The most significant problem is that of over-expansion: illustrates how the system was transformed during Franco’s rule. Between 1960-1972 student numbers rose from 77,000 to 241,000\textsuperscript{93}, much of this occurring at the beginning of the 1970s as the 1970 reform act guaranteed university places for all students with the BUP\textsuperscript{94}. The increase in student numbers was not equalled by physical expansion of university space, or proportionately increased funding, leading to masificación, the stifling of the university education system due to over-expansion and bureaucratisation. Teaching quality tumbled as short term teachers were hired in their thousand to cope with the increase in student numbers, but the universities were not able to offer high quality low and student: teacher ratios and came to rely upon lecturing as the predominant form of instruction. Partly this was through necessity as

\textsuperscript{92}Quoted in Boisot (1993) p.209
\textsuperscript{93}Source: Hooper (1986) p.102
\textsuperscript{94}At the beginning of the 1970s the COU was practically incorporated into the BUP, as students passing the BUP stayed on into the course as a formality. Later the COU was separated from the BUP to raise educational standards.
there were not enough teachers of a high enough standard, and the standards fell as less able teachers were drafted in to take up the slack.

This exacerbated one of the problems of the Franco regime, namely that the state universities had become centres of student radicalism and protest rather than seats of learning. This problem was made worse by the easy access to higher education, in contrast to the rigorous selection criteria used in British university education. Spanish universities weed out the weaker entrants through yearly examinations. The non-completion rate in Spanish universities is over 60%, somewhat more than the 2%\textsuperscript{55} in British universities.

The González government’s University Reform Law was intended to combat the problems of *masificación*, cutting university teaching grades from 45 to 4, and to limit university entrance numbers by tightening the entrance criteria and reducing the bureaucracy, gradually removing the weaker short term teachers who gained tenure in the 1960s and 1970s. Most Spanish state universities suffer from lack of business / technical experience, and space due to over-expansion.

One of the problems of developing new universities to counter the problems of the established universities is that a two tier educational system is developing. The private universities and new public universities both enjoy good funding, and the ability to attract the best students. At the same time the problems in the older state universities are left unaddressed and they now find competition for private funds even more difficult. Figure 7 again shows how student numbers are still rising, and there are fears that many of the state funded universities may again be experiencing problems of massification as student numbers rise and funds are cut (Blanco, 1997).

\textsuperscript{55} Times Educational Review, 1995.
Higher education in Spain also includes university level establishments that evolved from the former engineer's colleges and now known as Politécnicas. The courses taught are highly competitive and cover engineering and technical subjects, and increasingly, management subjects. Graduates from the prestigious Madrid, Valencia and Catalan Politécnicas are able to compete with the best graduates from private universities. In addition to this there is a small group of specialist Escuelas Técnicas Superiores, Escuelas Universitarias Técnicas and Escuelas Universitarias below the top tier of Universities and Politécnicas.

Spanish undergraduate students typically study 5-year courses. The first three years counts as the título, and students typically stay on to graduate with a licencia as licenciados. Moves are being proposed to shorten the university career to three years in the future, and make courses more vocationally focused.

One peculiarity of the Spanish university system is that until 1990 students were expected to go to their regional university, although exceptions were possible. The close nature of familial ties and regional loyalties in Spain were in part responsible, in part beneficiaries of this as student mobility was low. It should be remembered that for existing managers their regional affiliations will have been strengthened by this experience, whereas in many other countries the mobility experienced by the managerial/graduate class could be thought to have created more flexible and cosmopolitan attitudes.

Elitist Education for Elitist Management
Spain's rigid social hierarchy is oft cited to explain the academic elitism inherent in the educational system, and the Spaniard's leaning towards academic achievement as an indicator of social status as the root cause. As in France, in Spain education is highly respected and educational qualifications are seen as an indicator of social status (Barsoux, 1988; Hooper, 1995). Both France and Spain are somewhat hierarchical societies, where elitist educational structures and a powerful Catholic influence (in Spain) place greater emphasis upon personal betterment and engender a prejudice against 'menial' occupations.

It is extremely interesting to compare the educational systems of Spain, Japan and Germany in regard to engineering strength. Many advocates of the German educational system argue that it is the technical emphasis (Lawrence, 1980) in their educational system that has produced an engineering nation. The Bachillerato's elitist academicism has been criticised for creating a graduate population not in tune with the needs of business, and for perpetuating a social system which regards academic achievement as more important than career opportunities in industry. The situation is more complicated than at first appears because whilst the ratio of arts to engineering students in Germany is (surprisingly) around 50:50, in Japan the ratio is 67:33 and in Spain 63:37\textsuperscript{97}. Given that both Germany and Japan are stronger industrial and engineering nations than Spain, it is obvious that the problem runs deeper than the superficial composition of the graduate population. Germany, for example, has a developed system of apprenticeships and formal links between academia and industry, and at the sub-university level the fachhochschule qualification. It is at this level that

\textsuperscript{97} World Education Report (1993) UNESCO p.72 Figure 3.9
the system derives strengths, for there are tangible and vocational reward for students within the system itself. In Spain the problem of an elitist education is a reflection of deeper problems:

- The society's attitudes towards labour: The Spanish are highly individualistic (Hooper, 1987; 1995) and there is a desire for everyone to 'be boss', thus they choose an elitist education to enforce social stratification that works contrary to teamwork and organisation. As in Britain, there is a tendency to look down upon the more menial occupations.

- Here the second failing becomes apparent: Whilst many industrialists complain about the unsuitable grounding that students are given for business, business itself has not previously attempted to bridge the gap at a structural level.

- Whilst Spain has a relatively high number of students upon technical courses, the content of these courses is very different from that in Germany, for example. Technical courses in Spain are highly theoretical, with little opportunity for students to encounter 'real life' problems or knowledge that the work experience and apprenticeship systems in Japan and Germany, coupled with the close links between universities and industry, offer.

The financial vice president of a Spanish international company, trained as a civil engineer, explained how the academicism of technical education had its advantages:

One of the advantages of our education is that it makes it very easy to move between departments. Politécnica training makes it easy: the fundamentals are maths and abstract thinking for engineering courses, not like the UK where engineering courses teach the physical aspects and fundamental science. For engineers the industrial world needs low level engineers like those trained in the UK, but I feel the brain is an asset for life. The rigorous training gives us the intellectual tools we need for any career. The only problem is you have people with too high qualifications and they expect a job to merit it. The system is more like French Grandes Écoles training.
For a career in higher management these skills are very important. However, very few graduates will ever reach the heights of board management, and are faced with more practical problems developing their career. A research chemist moving from a Spanish postgraduate degree into a job with a British gas company gave her view on the difference between the educational structures of Britain and Spain:

My training was purely theoretical. I know a lot more than my English colleagues, especially the level of my maths. But I never need this level, and I find myself unable to carry out the simplest practical tasks undertaken by my colleagues because I have never had any real life laboratory experience.

There are recent developments that are beginning to change the academic elitism and insularity of the university system. In 1990 the government announced plans for four new private universities, to be located in Madrid and Barcelona. New private universities such as the Escuela Libra de Derecho y Economía (Free School of Law and Economics) plan to give more vocationally relevant courses, and shorter (3 year) courses. There is business involvement with the Banque National de Paris (BNP), Banco Central Hispanoamericano (Bank of Central Latin America), Respol (Spain’s largest company) and El Aquila (A brewery) all expressing interest. Furthermore Petromed (a petrochemicals company) has joined with Mercedes-Benz AG (the German automobile company) in the joint ‘EC ERASMUS’ initiative.

One clear signal of change is the number of students now opting for business studies and related courses as their first degree: Table 9 shows the popularity of the courses. Social prestige is still bound up with maths based academic subjects and degrees that confer social status. Law is held in high esteem, but engineering courses, theoretically based that they are, are very prestigious, with civil engineering the most highly regarded of all.

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98 The proposed university will be Spain’s first secular private university.
Management training

As in other European countries, higher education is becoming a requisite for management positions, as more formal channels to career progression supplant promotion based upon seniority. The Ministry for Labour estimates that there is a qualified management shortfall, as although the current business schools train 11,000 business and management graduates per annum business has a demand for 33,000 trained executives per year. España Económica (a business magazine) has reported that it assumes that the market could absorb ten times the number. To some extent this reflects problems within the labour market, as the chronic high unemployment includes the largest European unemployed graduate population but rigid labour laws (explained in detail in chapter seven) make it difficult for companies to recruit from this graduate pool as they would like. Thus many graduates hoping for managerial careers have looked to post-graduate qualifications such as the MBA to give them a boost, and many considering university places are increasingly choosing business qualifications.

The demand for business school places has led to quality problems. To fulfil demand many schools have opened to cater for the MBA market, or have adapted existing courses. A walk through the streets of central Barcelona and one could easily be

<table>
<thead>
<tr>
<th>Course</th>
<th>Public Universities</th>
<th>Private Universities</th>
<th>Total Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Law</td>
<td>182,110</td>
<td>20,195</td>
<td>205,749</td>
</tr>
<tr>
<td>2 Business management and administration</td>
<td>69,618</td>
<td>14,150</td>
<td>85,454</td>
</tr>
<tr>
<td>3 Technical industrial Engineer</td>
<td>57,165</td>
<td>3,887</td>
<td>65,409</td>
</tr>
<tr>
<td>4 Philology</td>
<td>58,444</td>
<td>1,433</td>
<td>59,877</td>
</tr>
<tr>
<td>5 Psychology</td>
<td>56,628</td>
<td>2,957</td>
<td>59,585</td>
</tr>
<tr>
<td>6 Business and Economics</td>
<td>41,351</td>
<td>4,314</td>
<td>45,665</td>
</tr>
<tr>
<td>7 Industrial engineer</td>
<td>37,535</td>
<td>3,404</td>
<td>40,939</td>
</tr>
<tr>
<td>8 Economics</td>
<td>32,521</td>
<td>3,663</td>
<td>36,184</td>
</tr>
<tr>
<td>9 Chemistry</td>
<td>35,138</td>
<td>660</td>
<td>35,798</td>
</tr>
<tr>
<td>10 Biology</td>
<td>29,159</td>
<td>891</td>
<td>30,050</td>
</tr>
</tbody>
</table>

Table 9: Ten most popular higher educational courses 1997

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99 Course taught by Politécnicas.
100 Course taught by higher colleges and universities.
102 Bruton (1994) p.91
convinced that from all the advertisements, leaflets and window signs that there is a business school on every street corner. This impression is reinforced by the plethora of MBA courses offered in the newspapers (a selection of which are reproduced in the appendix)\(^{103}\). Many of the courses boast connection with American colleges or, more frequently, former English polytechnics (often in relation to their foreign language department). There is an awareness that many of these courses are of poor quality, and until recently, there was no official ranking of either business schools in Spain, or an official quality criterion for MBA courses:

The failure to apply strict criteria to the qualifications awarded has meant that any educational institution can appropriate the title ‘Masters’ and apply it to any course of any standard or duration (Bruton, 1994: 91).

Spain’s premier business schools are beginning to address the problem by offering more courses themselves, and the government has hoped to help by the creation of a new business school in Madrid. To help control this confused situation an association, the AEEDE, has been developed to set standards for business schools (Diaz and Miller, 1994). Despite this the MBA is still not officially recognised by the government as a qualification, and degrees from private universities are not acknowledged by the either. This means that graduates of the top business schools, the majority of which are private, have not been eligible to work in state industries or to teach in state educational institutions on the strength of their private qualifications. Private schools are beginning circumnavigate this problem by forming alliances with public universities. In 1996, for example, ESADE’s degrees were ratified by the Universitat de Barcelona (UB)\(^{104}\).

The two main schools are the IESE (based in Navarra), and ESADE (based in Barcelona). Both schools are held in high international repute, and account for some 80% of the management student intake. Both are highly competitive, IESE attracting 20 applicants per place. IESE offers Europe’s oldest MBA course, developed in 1964

\(^{103}\) See exhibit D.  
\(^{104}\) Puiges, Luis Marfa (Director de ESADE) “Intercambios alumnos con centros de 37 países” Negocios 2nd October 1995 p.32
in collaboration with Harvard University, and, as stated earlier, is ranked as the fifth business school in Europe.\textsuperscript{105}

The top business schools are private and all affiliated, if not owned by as in the case of IESE, to religious orders (Boisot, 1993). The top Spanish business schools therefore are not only looking to the future, but are still very much bound up with the past. One possible explanation of the predominance of business schools affiliated to religious orders could suggest that behind the apparent modernisation, social business structures are retrogressive, with a need to justify a commercial life with a religious orientation. In this way management overcomes the problem of legitimisation by bolstering occupational authority with the social authority conferred by a respectable degree from the prestigious Catholic associated business school (Boisot, 1993). During the technocratic era when industry and government were dominated by Opus Dei trained managers the religious puritanism of the order was certainly translated into management, but evidence suggests that the religious aspect conferred by the schools is less important than their role as top notch business schools. Most managers who have undertaken post-graduate or career development programmes say that the school's governance does not affect their courses, but for undergraduates it does.

Another aspect to the private ownership of these universities is whether there is a concentration of upper management trained by these institutions, and whether they form a significant class. The majority of managers sampled in this research had attended state funded universities, and had then undertaken further management courses at some time in their career at a private or public university's business school. In terms of importance, most managers did not distinguish between the state and private sectors, or usually accept that the distinction was an important one.

The minority of managers who did attend a private university at undergraduate level saw the situation differently. A privately educated operations manager for a medium sized Spanish company explained that:

\begin{quote}
I do not think there is a great difference in quality between private education and state education. There is a difference in mentality. I find that I think like others with my background, and I get on with them better.
\end{quote}

\textsuperscript{105} Source: \textit{Fortune} magazine rankings.
Education, training and development

The Role of the Major Business Schools

Because of the lack of business studies content in the educational system previously, and due to managers’ need to undertake courses to equip them to manage in areas outside their specialism, the major business schools in Spain have come to have a vital impact upon management. The leading business schools, all privately run, have compensated for the lack of business orientation within the educational system, and have to some extent helped form managers into a class. The majority of managers at senior levels have at some time attended courses at the major schools, and all bear the stamp of the schools’ styles and cultures. A production manager told me that his MBA (master in business administration) course at ESADE “changed the way I look at life. It was the best thing I’ve ever done.” In this way a certain homogeneity of experience and expectation has been created through managers from different educational, functional, geographical and social backgrounds.

The role of business schools is changing. Young managers are now much more likely to have undertaken business studies as their first degree, and to have experienced work abroad or foreign study periods, than their older counterparts. In the major cities there has been a proliferation of business courses in universities, and the Catalan Universitat Pompeu Fabra opened new faculty buildings for management and business studies in 1996. Table 9: Ten most popular higher educational courses 1997 shows the popularity of business courses in Spain, with business management and administration being second only to law as an undergraduate course. The role of the private business schools is still important, both in helping train the other business schools and giving a lead to the public universities business departments, and also at undergraduate level. Despite the small role played by private schools in higher education, accounting for only 4% of student numbers, 16%106 of undergraduate business courses are still taught by the private universities, giving them a key role in the shaping of future business executives.

Language Skills: Now We’re Talking

The isolation of Spain during the Franco period led to Spanish education giving foreign language skills a low priority. French was the official foreign language in the

school curriculum, but even this suffered from the lack of stimulus and opportunity afforded to students to practice and extend their knowledge. For the 30–60 year old age group Spain has a poor record of second language training, comparable with Britain. Many Spanish managers in this age group learned French in school, and either do not speak English or have picked English up through personal experience or evening courses. Many Spanish managers working for MNCs must at least have a passive understanding of English. A typical quote from a human resources manager concerning his English explains the situation:

I did not learn English at school. I am trying to learn in my own time, and improve, but it is very hard. I feel ashamed that my English is poor, but it is vital for me in my job.

It was not unusual that the interview was conducted in Spanish, even when managers actually did speak English, as many managers in this situation feel very hesitant to speak English even though they understand it spoken. Among the younger Spaniards the situation is changing. The 1990s have seen English replace French as the second language, and greater opportunity for travel has allowed the younger generation more opportunity to develop their English skills. Cosmopolitan regions such as Madrid, with a large foreign working population and concentration of MNCs and Catalonia, with a high concentration of MNCs and a linguistic tradition, are more developed when it comes to English being spoken. Spanish management perceives that English skills are vital to success in international business, and that they need to improve. In a major Spanish telecommunications company, for example, there is a drive to improve English at all levels. All international management courses for senior staff (part of an ongoing programme) are only in English, as are all internal management courses. In addition to this there are learning English courses for top management (who are not expected to already speak English), and English 'maintenance' courses for the middle management and courses for workers. The company has an internal TV channel for educational courses, which includes an English language channel. Despite this the manager responsible for the programme did not speak English. This is somehow symptomatic of the state of languages in Spanish business.
In many MNCs operating in Spain the official company language is English, and this was observed not only at British and American MNCs but in Japanese and even Spanish MNCs as well. Some managers interviewed in these companies (in fact the majority) did not speak English comfortably, if at all. They felt very aware of this 'deficit'.

Many younger managers are able to speak excellent business English, and recent business school graduates have all received lessons in English language, and at some schools the primary language of instruction is English. Many of these younger graduates and managers still have not had the opportunity to use their English, and lack practical experience. A significant number of university graduates are seeking employment in English speaking companies and countries and postgraduate courses as a strategy to improve their English and thus their eligibility on the managerial job market.

Despite this many regions of Spain still lag behind, and in MNCs outside of Madrid and Barcelona one cannot count on Spanish managers having adequate English. Outside of the major centres there is, of course, even less opportunity for Spaniards to be able to develop their English.

*The Impact of the MBA in Spain*

In this section we shall analyse the important contribution made to the business culture in Spain by further and higher education. A contribution that has sought to address the historical economic and business problems outlined in the introductory chapters. The principal tool used by business schools to help management development is the MBA, and for the purpose of discussion we shall include Masters degrees in business finance, marketing and human resources management. The MBA has long been an important tool in managers' career path development strategies, and is becoming near universal among younger managers graduating from the top universities and business schools. The tools taught by the MBA have raised business knowledge awareness throughout Spanish industry, and this has been pivotal in giving managers an awareness of management strategy, financial management, management systems, formal reporting systems, competitiveness awareness and accountability. For managers within MNCs this has been important in helping them work in this environment, but the most profound affect has been within the state sector as it tries to undergo modernisation.
Native Soil, Foreign Ideas

However, the MBA has raised some tensions between the professional management models and practices that it teaches and the realities of the Spanish business environment. We will examine some of these problems later in the thesis, where managers' testimony reveals some of these tensions. Tensions are particularly clear where Spanish managers have been educated at MBA level abroad, particularly in the United States. Many young ‘high flyers’ who have been educated at the expense of their socially privileged parents in highly esteemed North American business schools find the transition to working in the Spanish business culture especially difficult. A Spanish native, consultant in Spain for a major American business consultancy, defined this feeling of exasperation when he told me “how can you work with these people? They have no organisation, their reporting is impossible to track and they are never available!”

The majority of Spanish managers interviewed were able to internalise the contradictions between the dictates of their academic theoretical study, and the necessities of the workplace. Typically they would emphasise that relying upon informal communication channels (as detailed in chapter nine and thirteen) could lead to administrative problems, and thought that a greater emphasis upon process would improve the situation. Likewise, as a group they mostly felt that standardised operating procedures may improve communication and control. Despite this managers were able to believe at the same time that “the enjoyment of work is to find a new way to do things and never do the same task the same way twice,” and that “excessive meetings and reporting is a waste of time”.

Research and Development

R&D (Research and Development) has been gaining higher status and priority in Spain during the 1990s. However, this against the background of poor performance compared with Spain’s European neighbours. Working against Spain’s progress in R&D and innovation can be attributed to three historical and structural factors:

- Spain's paucity of technical innovation in the past. This weakness created a dependency upon imported technology at all economic and industrial levels. Therefore the INI and other state industries have not helped indigenous firms develop their own technology. Rather the reverse has occurred as the state encouraged foreign intervention (Molero, 1988).
- A lack of economic and industrial development that has left Spain with a small average company size; small companies are typically less able to invest in large-scale R&D projects.
- As previously noted, the academic isolation of Spanish universities has ensured that they have not realised their full potential in stimulating invention and industrial innovation.

Poor Foundations
To demonstrate Spain's poor R&D levels prior to the 1990s this section will depict the level of R&D investment during the 1980s. Using patent application as a measure of R&D activity, Spain's poor track record can be seen in Table 10, Table 11 and Table 12. Average OECD (Organisation for Economic Co-operation and Development) patent applications per 100,000 inhabitants in 1983 numbered 37; in Spain 4\(^{108}\). Problematically the figures suggest that Spanish dependency upon foreign technology is increasing as Spain's per capita patent applications continue to fall. Boisot (1993) adds that if the structure of patent applicants within Spain is analysed, it reveals that whilst patents applied for by foreigners in Spain fell from 9,541 in 1965 to 7,777 in 1983, in the same period native applications fell from 4,089 to 1,369 (Boisot, 1993).

<table>
<thead>
<tr>
<th>Country</th>
<th>R&amp;D Spend as % of GDP, 1983</th>
<th>R&amp;D Staff as % of Working Population</th>
<th>GNP per capita, 1981 US $</th>
<th>Industry's share of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>2.15</td>
<td>11.0</td>
<td>12,190</td>
<td>35</td>
</tr>
<tr>
<td>FRG</td>
<td>2.54</td>
<td>13.5</td>
<td>13,450</td>
<td>46</td>
</tr>
<tr>
<td>Italy</td>
<td>1.12</td>
<td>4.9</td>
<td>6,960</td>
<td>42</td>
</tr>
<tr>
<td>Japan</td>
<td>2.56</td>
<td>12.1</td>
<td>10,080</td>
<td>43</td>
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<tr>
<td>Portugal</td>
<td>0.35</td>
<td>2</td>
<td>5,520</td>
<td>44</td>
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<tr>
<td>UK</td>
<td>2.28</td>
<td>-</td>
<td>9,110</td>
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<tr>
<td>USA</td>
<td>2.72</td>
<td>-</td>
<td>12,820</td>
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<tr>
<td>Spain</td>
<td>0.44</td>
<td>2.3</td>
<td>5,640</td>
<td>36</td>
</tr>
</tbody>
</table>

Table 10: R&D Comparisons\(^{109}\)

\(^{109}\) Source: Derived from OECD data supplied by Boisot (1993) p.216
The poor research position in the early 1980s has been detailed above to give context to the extreme rapidity of 1990s improvements. The government realised the shortfall was not consistent with Spain’s desired place in the EU, and R&D reform was integrated into the national plan for development.

Assault on the Ivory Tower

University isolation from business has had a negative effect on R&D. Business has also suffered from a lack of university participation, especially as low firm size ensured that Spanish firms would be more reliant upon external R&D. Whilst the European average split between academic and industrial research is 50:50, in Spain the ratio is 66:33 in 1990.

In February 1988 the PSOE (socialist government, 1982-1996) announced the National Plan for Scientific Research and Technological Training (plan nacional de investigación mas desarrollo), aiming to stimulate the amount of R&D research and investment, and crucially, to integrate both academic and industrial research. The

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### Table 11: Patent Applications per Country

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<tr>
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<tbody>
<tr>
<td>USA</td>
<td>94,629</td>
<td>103,174</td>
<td>101,014</td>
<td>106,218</td>
<td>108,673</td>
<td>12,234</td>
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<td>Japan</td>
<td>81,923</td>
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<td>219,877</td>
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<td>66,132</td>
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<td>10,201</td>
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<td>1,995</td>
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<td>1,823</td>
<td>1,933</td>
<td>1,826</td>
<td>1,851</td>
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</tbody>
</table>

### Table 12: National Patent Applications per 100,000 Habitants

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>37</td>
<td>37</td>
<td>30</td>
<td>27</td>
<td>27</td>
<td>27</td>
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<td>Japan</td>
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<td>121</td>
<td>142</td>
<td>163</td>
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<tr>
<td>FRG</td>
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<td>50</td>
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</tbody>
</table>

Source: Derived from OECD data supplied by Boisot (1993) p.217

Source: Derived from OECD data supplied by Boisot (1993) p.218
focus of the plan, and the second plan (1992-1996), focused on the expansion of PhD level researchers, with 20% of the entire plan's budget being given to fund research overseas, and a further 9,000 domestic R&D scholarships were created. The emphasis was clearly upon the development of trained research staff and institutional facilities.

The proposed mechanism for greater exchange between gown and industry is the Office for Relay of Research Results (OTRI) planned to link university and business research endeavours, and to increase communication between the two. In conjunction with this research centres such as the Council for Scientific Research (CSIC), and the National Institute for Aerospace Technology are trying to move towards industry.

Between 1985 and 1991 education received a 145% increase in funding, yet the overall competitive situation was still inadequate. Further measures between 1992 and 1995 aimed to continue the expansion, investing in links to European, Asian and Latin American countries through a new organisation, the Spanish Agency for international Co-operation (AECI).

The third national plan, announced in October 1995\(^\text{113}\) by the González government, marked out Spain’s R&D priorities for 1996-1999. González shifted the priority from the training of researchers and raising investment, deciding that the foundations laid by the first two plans were solid enough, to the "objectivo primordial es formentar la cooperación entre los investigadores y las empresas"\(^\text{114}\) (the primary objective is to foster co-operation between researchers and business). The plan prioritises:

- The chemical industry as being the key sector in Spanish economic development.
- Drought research and hydroelectric programmes.
- The fishing industry and the control of fishing stocks.
- Business R&D, with the priority a programme named Pacti whose objective is to encourage technology and IT (information technology) within business, especially PYMES, "el fuente principal de creación de empleo" (the primary source in the creation of employment).

\(^{112}\) I+D, pronounced "E mas D".

\(^{113}\) Infiesta, Jésus, "El III Plan Nacional de I+D Orienta la Ciencia Española a Satisfacer Demanda Industriales", La Vanguardia, Tuesday, October 3\(^{\text{rd}}\) 1995.

\(^{114}\) Source: La Vanguardia, Tuesday, October 3\(^{\text{rd}}\) 1995.
Education, training and development

The plan has been successful in raising the amount of investment. The ratio of academic to industrial R&D is now (1997) 47:53 and this ratio is expected to improve as business R&D strengthens.

Many of Spain's leading companies now have good links with relevant academic institutions. Many of these companies employ university researchers both as part of university projects and offer industrial placements to university students with well-funded grants. These links are usually unilateral, that is to say that they are arranged through individuals in departments and companies rather than at an institutional level. There is no state-backed mechanism operating which co-ordinates the links between university and industrial research. Each company, and in many cases, individual departments are required themselves make their own entrance to the ivory tower. Despite this, the situation is changing as the government backed schemes to help encourage collaboration coincide with rapid technological change throughout industry stimulating companies find research partners. This convergence is being further strengthened by the needs of universities to source private revenues, as education funding becomes more competitive.

An industrial consultant detailed the dramatic improvements in links between industry and academia, in context:

There never used to be much contact between industry and the universities until the last 10 years in Catalunya; and in the rest of Spain the last 5 years. The amount of work performed by the universities for industry has grown dramatically. This year Politécnica de Catalunya did 200 million pesetas (£1m) of business with industry.

The problem for universities is to market their commercial R&D. And to some extent they still prioritise their activity as the theoretical scientific side of R&D rather than the side which would benefit industry most.

The State of Research

Despite the improvements in R&D funding and awareness, Spain has still a long way to develop if she is to match German (EU leading) levels, as Figure 8 and Figure 9 suggest. Despite this, between 1970 and 1987 there was a 400% increase in the total
R&D budget, and between 1987 and 1994 a further 235%\textsuperscript{115} increase stimulated by the modernisation of large state companies such as RENFE (state railway), the INI and Telefónica (state telecommunications company). At this stage it is impossible to speculate as to future development, although Spain is still near the bottom of the pack, the dramatic increase in R&D investment in the 1990s bodes well for the future. However, the corporate development director to the Institut Catala de Tecnologia (ICT) points out that:

There is a problem with the measurement of R&D in Spain: our industrial fabric is made up by the PYMES (small and medium companies). They themselves are too small to have basic research labs or large R&D departments, but they perform a kind of R&D – it is not radical breakthroughs, it’s a step by step, improving processes, incremental. This is hidden in measurements typically derived from MNCs.

If our companies didn’t make progress they would disappear from the market but this is not the case. There is research activity, but it is focused on incremental improvements in production and process.

![Figure 8: The % of GDP spent on R&D 1990\textsuperscript{116}](image_url)

\textsuperscript{115} Source: Data derived from La Vanguardia, Tuesday, October 3\textsuperscript{rd} 1995.

\textsuperscript{116} Bruton, (1994) p.92
The Reality of R&D in Action

The status of R&D is increasing in many Spanish industries. In many of the production orientated state owned companies the need for R&D was not given priority. However, given the new market realities that these companies, many of which are being weaned off state subsidies or fully privatised, are now operating in, the need for product development and innovation is all too apparent.

Many MNCs moving into the Spanish market bring R&D departments with them, and in this way themselves stimulate higher R&D awareness. There is also a negative side to MNC R&D though, and that is in the equally common case when an MNC has acquired a Spanish company and either closed or de-scaled the R&D department to concentrate research in the regional or company HQ (headquarters). In this situation Spanish R&D development is further retarded.

At the other extreme some Spanish companies have been very rapidly expanding their R&D involvement. On the outskirts of Madrid, one of the most impressive large business buildings is the mirrored Telefónica I+D (R&D) building, a new separated autonomous company, part of the Telefónica parent group. Outside the investment and technology driven telecommunications sector, where Spain has been catching up extremely rapidly with the world's leading companies during the 1990s, other companies have also been focusing more upon setting up new R&D departments. Several AIE (state owned) companies sampled had, within the last two years, setup new R&D departments. Before R&D functions were carried out within functional departments internally, and thus overall long term strategy and research independence hampered. In one example, an AIE company deriving from a nationalised

\[\text{Telefónica I+D SA} \text{ is now a subsidiary of Telefónica de España SA.}\]
multinational was forming a new 'bespoke' department. The R&D department manager in charge of developing his team commented that in his industry and other AIE companies undergoing similar revision, the change was long overdue and not as far reaching as he had hoped. Despite this, he thought that it was a 'huge leap forward' to be able to create a specialist R&D department that would hopefully be able to unite the disparate and fragmented intra-departmental research that had been going on previously. This would eliminate all the duplication of research, wastage of resources and information, and lack of overall strategy that that form of organisation had implied.

Research in Context
The R&D situation in Spain is far from uniform. Certain sectors of the economy, and some regions of Spain, have different characteristics. Firstly we will look at the situation in a regional perspective, then at the certain sectors of the economy.

The Regional Aspect
Economic development is uneven throughout Spain, and so is the state of R&D. Regions such as Catalonia, the Basque Country and Navarra have an industrial history where many universities have direct relationships with companies or industries. The industrial fabric created by the concentration of industries and companies together acts as a stimulus upon R&D. In Catalonia, for example, the industrial tradition means that the status of R&D is prominent. As one manager expressed himself "the Catalan people know that industry built the success of the region, we like technology and industry. We feel happy amongst the tubes."

The problem is that the opportunities afforded to MNCs for R&D by the well-developed areas are so compelling that R&D centres and investment are actually drawn from the less developed regions. Foreign direct investment (FDI) is often a good indicator of R&D concentration, and FDI in Spain is concentrated in Madrid and Catalunya. Catalonia has the second highest level of FDI in Spain, 29%\(^{118}\), after Madrid. The production manager of a Japanese MNC gave his opinion that an MNC could find all their suppliers, consultants and support services and industries within Catalunya where his company was based. Why then, he argued, would the company

\(^{118}\) Source: Secretaría de Estado de Comercio, 1997
look outside the region? A Catalan R&D consultant in Barcelona summarised the regional disparities:

Catalonia is the most dynamic region, along with the Basque Country, Valencia and Navarra. Madrid is the place where most multinationals are located. There are the important HQs with their R&D centres. There is a serious problem of competition between the regions with lower technological capacity, such as Castille and Andalusia, and the more developed regions. Since 1980 large amounts of money has been injected by the government and the EU into these regions to generate growth in R&D centres, such as fibre-optic communication centres, but there has been too little economic development in these regions to sustain even heavily subsidised technological industries.

R&D: Excellence in Moderation

So far we have been looking at R&D in general, but Spain is home to many companies which lead their field in R&D and technology development. These companies typically have a long history, and have been leaders in their market sector for long periods. These companies are good examples of the ‘small giants’ that we have mentioned in the chapter on the economy. Even in the cases where these companies dominate their sector, even at a world level, they are often small companies. Some examples of Spanish companies which are notable R&D successes:

- Freixenet, the Catalan Cava (a sparkling wine produced by the traditional champagne method.) producer, is the largest maker of sparkling wine in the world, having some 70% of the world market\(^\text{119}\). Their research success has allowed them to produce traditional method wine for a mass market using the latest computer controlled methods and genetically engineered growing stock. Showing Spain’s dominance of the technology in this sector their main rival is Cordonfu, located less than a mile away, and they have even acquired Henri Abelé, France’s third oldest champagne house.

\(^{119}\) Freixenet SA company data.
Rabasa-Derbi is a small motorcycle and moped manufacturer, independent and family owned. Despite this Derbi has triumphed in international motor-sport at the highest levels\(^{120}\), and managed to secure a substantial portion of this low margin ultra-competitive market from international companies such as Honda, Yamaha, Vespa and Suzuki, not only in its national market but also in other markets (principally Italy, which also has a traditional of elite small-scale motorcycle manufacturers).

Spain has some very advanced product development companies, such as Dragados y Construcciones (Dragados), Spain's leading construction contractor. Dragados are not only important in regards to construction and environmental technology, but is also important in motorway technology, developing not only the hardware but an integrated project for public sector / private sector joint ventures whereby the company builds the roads and then operates them as toll roads for the government in question. Dragados is currently building and operating such toll roads for the US government.

Another Spanish company in the construction sector specialises in railway construction. The company has developed specialist machines enabling them to improve track laying speeds vastly and ease of maintenance. The company is now important in the privatisation and re-vitalisation of South American railways and also of the Jubilee Line of the London Underground.

Spain not only has these independent companies which are significant in their R&D field, albeit mainly small fields, but also some companies in large sectors which are very advanced. In this situation the R&D department may attract the attention of an MNC, which because of the relatively small size of the Spanish company is vulnerable to take-over. During the course of the research this was seen to happen at both a pharmaceuticals products company based in Southern Spain and a chemicals company based in Catalonia. In this way some Spanish companies are losing their R&D resources to MNCs when they are successful.

More Development than Research
When we tend to imagine R&D we fall into the trap of envisaging the cutting edge of R&D as being the typical function of the R&D department: innovations, breakthroughs and glamorous new leading edge technologies. It has been accepted that Spain suffers a paucity of invention (Boisot, 1993). The production manager at a large Spanish company described this lack as their greatest problem in regard to international competition. However, the bread and butter work of a successful R&D department is the development side, developing and refining existing products and technologies, applying existing processes to new fields. It is a hackneyed argument, but one perhaps with a grain of truth at its heart, that Japan’s success is built not on product innovation but on development. And in this context many Spanish companies are very successful. In the section on management creativity (chapter twelve) we will explore further the ideas outlined here, but many Spanish companies are able to offer very short lead times in product development and problem solving because of their small size, flexible management and ability to work quickly. Production and R&D managers for MNCs present in Spain often mention that their department is used by the group as a problem-solving base due to these advantages. In this context R&D in Spain can be seen as being important and creative as part of an integrated R&D network where a the bulk of product innovation is handled by the company as a whole.

Military service
A less conventional subject to include with education is to use the term ‘education’ within its broadest context, and to consider national military service. Compulsory military service is a feature of Spanish society, and serves more functions than merely the creation of a standing army; as a social control it is a fundamental learning experience for a large proportion of the potential workforce and management. There are three broad aspects to national service that interest us:
Education, training and development

- First to ascertain whether any transferable skills, behavioural traits, attitudes or specialised skills\textsuperscript{121} (such as leadership abilities, or improvisation prowess) filter through into the business culture, either at an embedded or conscious level.
- Second to gauge whether the mix of conscripts from different regions helps understanding between Spanish people from different regions in the business context.
- Third, to address the question of networks. Do contacts, especially those made in this period, prove important for managers in their later careers, as part of an 'old boys network'

The army tradition in Spain has allowed the officer cadre a high profile in Spanish life, although since the aborted 1980 coup led by a military group, the political role of the army has diminished. Despite this well educated civilians can expect due responsibilities and rank during national service, where they experience management army style. There are indications that in business senior managers who achieved officer status may transfer their hierarchical army expectations into their conception of management, enforcing a social hierarchy long noted to be a weakness in Spanish business. Although there is evidence of this, this can be traced to professional soldiers who moved into management through political appointments: typical of the INI era. But managers in general gave little credit to their experience in the army as helping them orient themselves to management. It would appear that military style working methods in companies are passed on through the management structure at the company rather than informed by national service experience.

Managers are also negative when the question of transferable skills is raised. Most see national service as something to be tolerated (if they weren't exempt or able to buy their way out of it) rather than being useful in learning pressure management, people skills, or any other skills stressed by army recruitment campaigns.

Some managers however did experience geographical mobility as part of their service, and this was the first time that they had moved outside of their region. One manager commented that "it made me realise that the people from other regions were like us." At the other extreme the military from other regions virtually occupying a troubled region such as the Basque country found themselves unpopular and inter-regional

\textsuperscript{121} As Peter Lawrence has demonstrated is the case with the Israeli management culture in
stereotypes and relations were not ameliorated by the experience. Despite maybe helping to foster understanding and diminishing the weight of the _topicos_ (prejudicial folk-lore about natives of other Spanish regions) in some cases, and strengthening them in others, managers did not arrive at an acceptance of easy geographic mobility through this experience. Most, if posted away from home, travelled home often and looked at the experience as a sufferance rather than an opportunity.

Lastly, as we shall explore further in the section on business networks, Spanish managers rely greatly upon networks of acquaintances. However, the national service experience does not appear to play a significant, or any, part in the formation of these networks.

**Conclusion**

From a very low base in the 1970s the Spanish education system has improved rapidly, coming more into line with European standards and educational criteria. However, in the current business context it must be remembered that the benefits of much of these improvements are yet to filter through, and many proposed changes set down in the LOGSE are not due to be fully realised until the year 2000. There are many effects still felt from the previous deficiencies of the educational system, and there are still inadequacies with the current organisation. The education system in Spain has yet not met industrial needs. It has not provided enough skilled workers, nor concentrated upon the relevant skills, and has helped perpetuate the elitist educational bias that has in turn hampered the development of a more skills-oriented workforce. However, the educational system has been operating against a legacy of mismanagement and neglect and in the short time since Franco’s death has been transformed. Although it still reflects these earlier problems, the future outlook appears to be much brighter as the LOGSE comes into effect and a more relevant technical curriculum and business studies courses strengthen the _Formación Profesional_. The falling birth rate has also eased the pressure upon the educational system.

Higher education and R&D have also been dramatically improved, and even though set in the context of a relatively poor starting position, these advances have been a huge step in the right direction. At the level required for management training the
education system has now equipped younger managers with the qualifications needed by industry. The Director of ESADE says that the student intake is “cada vez más, los estudiantes están mejor informados”\textsuperscript{122} (all the time the students are becoming better informed and prepared). Spain has excellent business schools which have played a major part in rectifying the previous deficiencies of the educational structure, and the popularity of business related degrees has seen a boom in students well qualified for the needs of business management, even if Spain still lacks well qualified specialists in several areas. In the words of the group human resources manager to a large MNC:

We could sack all of our management today, and hire new business school graduates tomorrow. They would speak three languages, have MBAs, and would have attended courses in America.

\textsuperscript{122} Puges, Luis María (Director de ESADE) “Intercambios alumnos con centros de 37 países” 
\textit{Negocios} 2\textsuperscript{nd} October 1995 p.32
CHAPTER SEVEN: LABOUR AND TRADE UNIONS IN SPAIN: POLITICS TO PERSONALITIES

This study aims to distinguish any specific Spanish aspects to business practice, and some of the noticeable differences are a consequence of the distinctive development of the economic and political framework. One such structural difference that marks Spanish business and management from that of the United Kingdom is the labour market, and the rigid system of labour laws that are part of the Spanish Constitution.

The topic is important because labour and trade unions relations are one of the perceived weaknesses to the Spanish business environment. In his 1994 book Kevin Bruton (1994: xiv) comments that “the lack (in 1994) of a social compact between government and trade unions, and the threat this causes to economic policy and company planning and profitability” is one of the “principal deficiencies” of the Spanish business culture. Of primary interest to us is the effect that unions and labour have on company organisation and management. The differences in labour regulations and relations are one of the key macro level differences between management in Spain and Great Britain, and have a significant impact upon the role of the human resource and personnel management.

This chapter attempts to lay out these differences and account for them, highlighting the impact they have upon business. The chapter begins by examining the development of the Spanish labour market and free trade unions before looking in detail at the impact of this on management functions. The chapter is divided into the following sections:

- Section I: the state of the Spanish labour market.
- Section II: the development of Spanish labour laws and trade unions.
- Section III: labour, politics and industrial democracy.
- Section IV: labour and unions in the workplace and human resource functions in Spain.
- Section V: from politics to personalities: summary of the state of management and labour issues in Spanish business.
SECTION I. THE LABOUR MARKET

The Labour Market

The labour market in Spain is significantly different from that in Great Britain and most Western European countries. The formation of the labour market has been profoundly marked by its historical development, namely:

- The manpower losses of the Civil War.
- Franco's failure to modernise the infrastructure.
- Rapid industrial transformation as Spain achieved industrial take-off in *los años de desarrollo* (the development years) of the 1960s.
- International isolation.
- Demographic changes, especially the massive urbanisation of the 1960s.
- The poor performance of the educational structure in training workers, until improvement starting in late 1980s, creating skills shortages for industry.
- The rigid legal structure governing industrial relations restricting job mobility.
- Chronic unemployment from the mid-1970s to the present.

These factors contributed to give Spain an inflexible, poorly trained labour and adversarial labour force in the 1970s. Since this period there has been rapid transformation throughout the 1980s (Welch, 1996) as demographic patterns settled, education and training have improved, unions and government began to relax the labour laws slightly and a strong government policy to bring the labour market convergence with other EC countries. Figure 12 shows the changing nature of the labour market. In general there has been a decline in heavy manufacturing the decline of agriculture, a rise in service industries and continuing urbanisation. Another major change in the labour market has been the rise of women in the workforce, as shown in Figure 11. The pattern of female employment is distinctive, accounting for 78% of temporary work and part-time jobs. Female employment is also highest in the service industries rather than manufacturing and agriculture.
Labour and Trade Unions in Spain: Politics to Personalities

Figure 10 Active Population by Sector (1000s) 1970-1996

Figure 11 Absolute Increase in the Workforce (1000s) 1970-1996

Source: Anuario El Pais 1997 p.433

Source: Source: Anuario El Pais 1997 p.433
Regional and demographic factors continue to distort the labour market in Spain. Chronic unemployment persists in Spain\(^{126}\) (16-24% throughout the 1980s and 1990s) but is highest among the young: 38.7% of 20-24 year-olds were unemployed in 1996\(^{127}\). Unemployment also varies widely between regions, with low rates in the business centres of Madrid and Catalonia (Table 13).

\(^{125}\) Derived from statistics cited in Kevin Bruton (1994), p.85
\(^{126}\) Between the ages of 16 –19 this figure increases to 41% unemployment (Welch, 1996). 38% of all unemployed have been without work for over two years.
Although the labour laws had explicitly forbidden part time contracting (the use of contracting agencies was banned, for example), the PSOE government has created a system of temporary and part time contracts in order to create a more flexible job market. 48% of jobs created in 1993 were part time contracts, and the majority of these are not renewed\footnote{Welch, 1996}. The large numbers of unemployed young people are likely to only get temporary contracts, which will not be renewed. El País has called them “atrapados por el paro”\footnote{Misse. Andreu: “Atrapados por el Paro” Anuario El País 1997, p.433} (trapped by unemployment). Temporary work has also made the market more flexible\footnote{“Contratado por un rato” Cinco Días 12th November, 1996 p.1} in weak areas. The increasing reliance on temporary contracts as a substitute for labour market flexibility is detrimental to companies, as they are not investing in the workforce. This restricts staff training opportunities ultimately management flexibility (Rhodes, 1994). Although graduate unemployment is the highest in Europe, for example, graduates may be hired and fired on ten-month contracts and this does not help companies and graduates plan securely for the future.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
\textbf{Region} & \textbf{Percentage Unemployed} \\
\hline
Andalusia & 9.4 \\
Aragón & 8.7 \\
Asturias & 5.1 \\
Balears & 3.6 \\
Cantabria & 11.6 \\
Castille-La Mancha & 13.8 \\
Castilla y León & 16.9 \\
Catalonia & 2.0 \\
Comunidad Valenciana & 3.5 \\
Extremadura & 13.6 \\
Galicia & 6.1 \\
Madrid & 0.9 \\
Murcia & 5.6 \\
Navarra & 5.1 \\
Basque Country & 6.7 \\
Rioja & 12.9 \\
\hline
\end{tabular}
\caption{Unemployment in Spain (as percentage of active population, 1997)\footnote{Source: Istituto Nacional Estatistica (INE), 1997}}
\end{table}

\footnotesize{Source: Encuesta de población activa, INE 1997}

This is because of legislation hoping to prevent employers exploiting temporary workers. There is a time limit after which part time jobs should be made permanent. As a consequence few are renewed. Employers are also fearful of this time limit – as an example quoted in the INI chapter whereby public sector workers were known to work hard until their contract became permanent and then “never do another days work”.

\footnotesize{\textsuperscript{127} 128 129 130 131}
Labour Market Flexibility

Labour market flexibility is low in Spain, but it is important for organisations to be able to achieve their aims by deploying their resources effectively. This, after all, is a primary function of management. Rhodes (1994) argues that when companies operate in a labour market which is heavily regulated by rules and contracts, as in Spain, they at least require a degree of ‘constructive flexibility’, which is the ability of management and labour to develop mutually beneficial investment, in training for example. Historically this has been difficult in Spain. Rhodes (1994) has suggested that there are four aspects to labour flexibility that are important to management:

- External flexibility (the ability to recruit, dismiss and rotate employees freely)
- Internal qualitative flexibility (the ability to deploy employees freely)
- Internal quantitative flexibility (the ability to change vary hours and terms of employment)
- Pay flexibility (the ability to link pay with performance, such as company or individual results).

Traditionally the Spanish labour market has fared badly in all of these dimensions. There have been changes in the 1990s, as we have detailed, but the creation of temporary contracts and jobs does not help to resolve these deficiencies.

Current Labour Market Performance

The labour market in Spain still suffers from several major problems:

- Continued shortage of skilled labour.
- Regional imbalances in the labour supply and employment.
- Continuing over-regulation of the labour market. Changed market conditions where a flexible labour market is needed.
- The duality of employment between protected jobs and part time contracts.
- The majority of businesses are small employers whose workers receive the worst (comparative) wages in Europe.
• Chronic unemployment\textsuperscript{132}

\textsuperscript{132} There is strong evidence that protectionist labour markets contribute to unemployment. "La politica social echa chispas en Bruselas" Ciclo Dias 12\textsuperscript{th} November, 1996 p.3
SECTION II. THE DEVELOPMENT OF UNIONS AND LABOUR LEGISLATION

The Development of Unions in Spain

Working class collective action was slow to develop in Spain, and never formed the dense network of supporting associations or close ties with parts of government that were present in Germany, for example (Shubert, 1990). One reason for this was the lack of industrialisation that usually precedes working class solidarity. In Catalonia, where industrialisation was most advanced, the development of working class politics turned mainly towards anarchism and anarcho-syndicalism. The Spanish socialist party, the Partido Socialista Obrero Español (PSOE) founded the first major union in Spain, the socialist Unión General de Trabajadores (the General Workers’ Union, UGT) in 1889. The union was slow to develop, and only became a mass organisation in the 1930s. This slow development was partly attributable to competition from the anarchist union formed in 1910, the Confederación Nacional de Trabajo (National Workers’ Confederation, CNT). The CNT refused to acknowledge government, and took direct action against employers. This mentality was to exclude labour from government, and had long term consequences in the mind-set of some Catalan labour organisations to the present day. Table 14 shows the growth of both the CNT and UGT into mass organisations. Both the UGT and CNT relied on power-bases that were very regional. The CNT was principally a Catalan organisation, whilst the UGT was strongest in Madrid, Vizcaya (a Basque province) and Asturias.

<table>
<thead>
<tr>
<th>Year</th>
<th>UGT</th>
<th>CNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>40,000</td>
<td>11,000</td>
</tr>
<tr>
<td>1918</td>
<td>90,000</td>
<td>114,000</td>
</tr>
<tr>
<td>1923</td>
<td>210,617</td>
<td>250,000</td>
</tr>
<tr>
<td>1936</td>
<td>1,300,000</td>
<td>559,229</td>
</tr>
</tbody>
</table>

Table 14 Trade Union Membership, UGT and CNT

The growth in union affiliation was made possible as socialists and anarchists persuaded agricultural workers to join with industrial workers. In this way mass unionisation did not rely upon industrialisation, but this caused weaknesses in the Spanish socialist movement in comparison with industrialised countries. Although

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there were other marginal unions in this period, they had virtually no impact in relation to the mass movements of the UGT and CNT.

The Primo de Rivera dictatorship (1923-1930) banned the Spanish Communist Party (Partido Communista, PC) and the CNT. PSOE and the UGT attempted to negotiate with the regime, and with the Second Republic (1931-1936). As the UGT failed to make headway, strike action by the UGT and CNT increased significantly. The military uprising that began the Civil War (1936-1939) set the unions into violent conflict with the right wing. One of the reasons for the defeat of the socialists, communists, and anarchists who supported the Popular Front government (1936) was that they were fragmented. George Orwell's graphic firsthand account of the Civil War (Orwell, 1953) makes it clear that many left-wing forces spent more resources fighting each other than the threat from General Franco.

*The Price of Defeat: Unions after the Civil War*

Franco's victory in the Civil War was to retard the development of worker representation and trade unions. Rightly identifying the unions as powerful adversaries they were banned, and their leaders taken into custody. Regions that had resisted, notably Catalonia, Asturias and the Basque country were subjected to repression. And this action sought to control the source of militancy, the unions themselves, by ensuring that they could not reform.

*The Development of Contemporary Trade Unions: Still Fighting Franco*

As we have seen, trade unions in Spain can trace their origins back to the beginning of the century, but the current role that they have come to play has been the result of their experience under the Franco dictatorship. They became important as a force undermining the Franco regime (1939-1975), and a political force in the transition to democracy (1975-1977). The experience of the unions and their role in the shaping of the Spanish business environment has had a profound affect on business in Spain. Because of this importance we will outline the recent history of the unions in Spain in some detail, exploring which features have had long-term importance. In the following sections we will:

- Explain the development of trade unions in the Franco period.
Labour and Trade Unions in Spain: Politics to Personalities

- Describe the major unions active in Spain today.
- Account for the distinctive pattern of labour laws and codetermination that were set down in the transition to democracy.
- Describe the state of the unions and labour laws at the macro-level.
- Comment on industrial relations trends evident in the Spanish economic polity.

Labour Locked In

The Franco regime created a particular labour system that influenced future union developments. In a desire to control the workforce and crush the unions that had backed the Popular Front Republic in the Civil War, the Franquist State banned free trade unions altogether and designed the *Organización Sindical Española* (OSE) to replace them. The OSE was a system of 28 vertical syndicates to control labour, arranged by industry, with compulsory membership. The system was a vertical hierarchy, with all employees – workers, management, and directors – unionised, and all ultimately under the central control of the Minister for Syndical Relations in Madrid. The system was tightly regulated, with specific labour ordinances (*Ordenanzas Laborales*) decreeing the labour laws in each industry. The ordinances regulated employment conditions and set out strict job classifications. Of course, these ordinances were set in Madrid, and were primarily a method for the Franco regime to control industry and labour in the independent minded regions, specifically Catalonia, which was the cradle of the radical pre-Civil War unions. The OSE’s priorities were therefore political, rather than driven by industrial or economic imperatives. The lack of industrial democracy under vertical syndicalism can be inferred from the fact that in 1971 only 391 people could vote directly in the metal workers’ syndicate presidential elections, although the union had 1,300,000 members (Bruton, 1994:67). The OSE attempted to control labour by locking labour in to jobs, allowing very little mobility. Strikes were illegal\(^\text{134}\). As part of this, the 1944 law of labour contracts made it virtually impossible for employees to be sacked – a law ultimately designed to backfire on the Franco regime and remain a prominent feature of the Spanish business environment to the present.

\(^{134}\) And would remain so until the death of Franco and the new Criminal Code in 1975.
Labour and Trade Unions in Spain: Politics to Personalities

Fighting Back: The Unions Under Franco

Despite this attempt to control labour and destroy unions based upon (banned) political parties, regions, or group interest[^135^], free trade unions leaders reformed their organisations as illegal and underground cells. The unions became more radical than ever, and began to subvert the aims of the Franco regime that had attempted to smash them. The underground unions became a shadow organisation, infiltrating the organisation of the OSE and using it against itself to spread worker radicalism and unity. Vertical syndicalism, being a bureaucratic creation, was a very inefficient mode of labour resource management and allocation, and from the start of the Franco regime many companies negotiated directly with illegal workers representatives.

The early 1960s saw the underground formation of the communist union, the Comisiones Obreras (CC.OO). This union was to be of profound significance, and with other the clandestine unions (such as the UGT) that had re-formed, began to infiltrate the works councils within the vertical syndicates (Shubert, 1990), creating a national structure of illegal and informal, yet powerful, labour unions. These informal unions provoked a state of emergency in 1962 when they held the first major strike of mining worker's in Asturias in northern Spain, and the power of these unions became officially recognised outside Spain when the International Labour Organisation (ILO) accepted the primacy of Spanish pseudo-unionism in 1968. The underground unions continued to grow, leading to the rebirth of the UGT and the re-vitalisation of the socialist political party (PSOE). The CC.OO was particularly successful in undermining the vertical syndicates by turning them into entrenched critics of Franco, and were to use this power-base to become the most significant union after the end of the authoritarian regime in 1975. Although the UGT and the CNT were wary of direct co-operation with the OSE (as the CC.OO appeared to), the unions within the OSE structure became the power base for political parties trying to overturn the authoritarian system. The gamekeeper had been turned into the poacher. The unions also able to foster their political wings within the very organisation that was set up to ensure their influence did not reassert itself. Vertical syndicalism collapsed through both internal and external pressures. Coupled with increasing social pressures for political pluralism (ironically driven by the rise in living standards) towards the end of Franco's rule, the unions became the primary channel for social and political protest.

[^135^]: Whether 'class interest' in the sense of worker organisation, middle management unions, employers' organisations, nationalist regional unions.
Between 1964 and 1974 the underground unions organised over 5,000 strikes, many of which were to end in bloodshed. In the dying years of the Franco regime an attempt was made to include the shadow unions into the official syndical structure in order to tame them, but the reform was a wasted effort.

Contemporary Unions in Spain

The CC.OO

The CC.OO grew organically, starting in the early 1960s, as a grass-roots opposition union within the OSE that fell under the influence of the Communist Party (PC). The communist influence is still very strong within the CC.OO today, but although the CC.OO is affiliated to the PC, it has typically pursued a pragmatic policy of negotiation and co-operation with capital. Companies often dealt informally with the CC.OO under the OSE structure, and because of this contact, many large industries prefer to deal with the CC.OO (Bruton, 1994) directly today. In the democratic transition the CEOE (the main employers’ confederation) feared the CC.OO as being the most socially radical union, but many employers did not share that fear. Large employers have come to prefer the ‘willing-to-talk’ CC.OO to the less organised UGT, which (like the CEOE) was keen to involve government in negotiation. This pragmatism has resulted in the CC.OO’s continued importance today, being strongly represented in so-called ‘future industries’ (such as telecommunications), large industries (gas and energy industries), railways, teaching, insurance and banking.

The UGT - Friends in High Places?

As the dominant union of pre-Franco Spain, union the UGT remained a rallying point for opponents of the regime as it reformed as an underground organisation. In the democratic transition the UGT found itself in a powerful bargaining position, exerting a great influence over the fledgling democracy and the drafting of the Spanish constitution (1978), a constitution that achieved many of the union’s protectionist aims for labour. This strong position was consolidated by PSOE’s ascension to power in 1982. Despite this, the strength of the UGT has been declining, through the loss of union members caused by growing unemployment and post-democracy apathy, and rivalry with the CC.OO. A growing divide from the PSOE government has further weakened its influence, but helped the process of professional unionisation as in other European countries, whereby socialist parties have separated themselves from their
union foundations. The UGT now plans to construct dialogue between government and labour to create the framework for effective localised collective bargaining in the future. The UGT is still developing and maturing, diversifying into business to raise funds, founding a holding company, UGTSA, a bank, a house building co-operative, and an insurance company, UNIAL. The UGT strengths are mainly in Public sector industries, and small firms.

Regional and Minority Unions
Whilst the UGT and CC.OO dominate the labour force, it is typical that regional unions are very important in the key industrial regions. The **Unión Sindical Obrera** (Syndical Workers’ Union, USO) was formed as an underground union in the 1960s, and now is very strong in private education, engineering, mining and the civil service. Representing only 2.8% of Work’s Committee membership in 1990, the USO is a strategically important union.

The **Confederación General de Trabajo** (Workers’ Confederation, CGT) was formed from the remnants of the CNT, and followed the anarchist tradition. The CGT’s power base is still in Catalonia and Valencia, and it has come to control important firms such as Ford Valencia motor cars.

Unionisation in the Basque Country is dominated by the Basque union, **Sindical Euzko Laguillen Alkartasuna-Solidaridad de Trabajadores Vascos** (ELA-STV). Because the ELA-STV is so powerful locally, it benefits from ‘most representative union’ legislation, which also allows unions representing more than 15% of the population in their autónima greater rights.

Galicia too has an indigenous union, the **Central Intersindical Gallega** (CIG), and it is regionally important in most sectors. Again, it is a ‘most representative union’ in Galicia.

Spain overall has a further 344 regional federations, although none are able to exert any national power because of their small size.

**Employers’ Organisations: The Other Foot**
A network of employers’ associations supports Spanish business. In this section we trace the recent history of the most important of these associations, and assess their strengths and weaknesses in contributing to the Spanish business environment.
Under vertical syndicalism employers were represented in the same industrial syndicate as their workers, which was meant to serve the joint interests of both. In reality the employers were the only party that received official support and could influence government policy, especially as they built up a relationship with the banking structure and the technocrat ministers. Legislation was in fact designed to lock-in labour and give employers control. As vertical syndicalism broke down and the workers committees and worker representatives were corrupted into seats of dissent. When this system was swept away by the re-emergent unions after Franco’s death, Spanish employers realised that their previous ‘enemies’ had gained the upper hand, and that they lacked organisation: many were fearful of the adversarial labour position that developed.

Whilst subjugation under the OSE had united the unions in their aims, the post-Franco period found employers fragmented. The employer class of industrial capitalists had problems of coherency. Partly this was their fault because they had not worked to create a social vision advocating their aims of a market society, or planned for a future outside of government regulated labour structures. There were various historical factors acting against employers forming collective representation:

- Because employer relations had been controlled by the vertical syndicate structure employers had little experience in dealing with strong labour unions.
- Aristocratic social pretensions acted against employer unity. The agricultural class and the bureaucratic elites had been higher status in Spain (outside of Catalonia and, to an extent, the Basque country) and the capitalist bourgeois class looked to this class for leadership, or as their peer group. In this way the employer class was not accustomed to thinking of defining themselves along class lines – at least not upper class lines.
- The radical socialist, anarchist and communist inspired unions were a formidable force to counter, having gained huge social prestige and legitimacy by acting as the figurehead against the authoritarian regime.

The emergent industrial class had thus had no official representative. This was “an interesting feature when one recalls that Spain was considered by many at the time to be a dictatorship of the bourgeoisie” (Martínez Lucio, 1991: 41). The Spanish
Labour and Trade Unions in Spain: Politics to Personalities

classification (1978) accepted the right of employers to form organisations, and acknowledged their right to participate in national economic planning. Organisations had to be officially registered, and have a democratic organisation and constitution. Employers sought to rebuild the informal system of contacts and alliances that they had operated under vertical syndicalism, by transforming it into a structure of employers’ unions. For this reason, it is not possible to separate trade associations and employers’ association in Spain, as the OSE structure had fused the two organisational forms functions together. It was only natural that reconstructing relationships from the OSE would intertwine elements from both forms of industrial representation.

The high industrialisation in Catalonia had led to the creation of the Catalan employers’ organisation, Formento de Trabajo Nacional (Formento), which had remained independent through much of Franco’s rule. Spurred into action by the power of unions in 1977, Formento merged with many of the informal and formal networks of employer representation under the OSE to form the Confederación Española de Organizaciones Empresariales (Spanish Employers’ Confederation, CEOE). Spain thus gained a major employers’ organisation.

The CEOE was extremely influential in the transition to market democracy (Costas and Nonell, 1996) and economic policy decisions of the late 1970s. It forged an identity within the employer class, and this crucially allowed employers to negotiate with labour to shape the structure of the Spanish business and political environment today. In the next section we will examine the development of labour negotiation in this period. This experience helped CEOE become “one of the pivots of Spain’s limited engagements with concerted state and socially orientated responses to crises and economic development since the mid-1970s” (Martínez Lucio, 1991: 55).

As the CEOE became more formalised and continued to forge collective employer identity the organisation matured and became more professional and representative. Despite this the CEOE still reflects traditional paternalistic ideas in Spain, and is known affectionately as the ‘patronal’. In the 1980s the CEOE became more confidant, cynical, politically right wing but democracy committed and pro-European. Crucially it gained a formal voice in power. One area where employers’ associations have been active and important to business is in regard to the labour market weaknesses documented in section I of the chapter. The organisations have helped staff training and development programmes, in dialogue with the unions.
Big Business, Small Business

The CEOE mainly represents large firms, and there was a clear need for bodies to represent the pequeñas y medianas empresas (PYMES\textsuperscript{136}, SMEs small and medium enterprises) that make up the bulk of Spanish companies. The CEOE formed the associated Confederación Española de Pequeñas y Medianas Empresas (CEPYME), Confederación General de las Pequeñas y Medianas Empresas del Estado Español (COPYME) and the Unión de la Pequeña Mediana Empresa (UNIPYME) to cater for SMEs. The CEOE is still the dominant organisation, representing 75% of private sector jobs, and has strengthened its position with an aggressive national policy at the expense of the SME’s representatives.

Structural Problems

The CEOE does have structural weaknesses, and that although it represents the majority of private business, it does not encompass the morass of unrepresented small firms, the large public sector or, crucially, the majority of the foreign multinationals which represent 43% of all industrial employment. There is also some tension between the various employers’ associations, as could be expected. Associations representing SMEs, for example, find some of the demands of big business contrary to their interests. A small and medium employers’ organisation official explained to me that the emphasis of some organisations was firmly for the medium to large businesses, and that Formento and the CEOE could sometimes be an obstacle.

The formation of the CEOE by the unification of many diverse interest groups operating under the OSE in response to the enormous challenge of the democratic transition also resulted in an organisation that retains more of the OSE structure than perhaps is needed. Because of this the CEOE is often not able to present central, coherent and unified policy, allowing its members great autonomy. The association also contains elements of trade associations and employer’s associations, interests that could perhaps be represented if disentangled (Costas and Nonell, 1996).

Genuine trade associations have also developed in Spain, such as the Catalan chemical sector trade association, FEDEQUIM. The association is bound into relationships with other organisations, being a constituent member of Formento, the CEOE and the European chemical sector association.

\textsuperscript{136} PIMEC is the regional Catalan organisation for SMEs.
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Representative associations have much to contribute to business in Spain. Several managers interviewed said that they had frequent contact with their association, usually in relation to helping interpret labour law and deal with local laws set by the autonimas. This function was especially important for SMEs without the resources to maintain expensive legal staff and lobbyists to help resolve problems. Industrial trade associations, such as industry specific bodies, are also important to companies. The support network provides a bridge from private business to local and national government. The sample contained a chemical industry trade association, and several chemical and pharmaceutical companies. The association's director explained their role as helping companies deal with:

- Labour legislation.
- Environmental legislation.
- Transport legislation for the industry.
- Product legislation - legal issues.
- Dialogue with national and local government.
- Insurance issues.
- The association also had a proactive consultancy role, helping companies with manage:
  - Social labour issues, such as industrial democracy and training programmes.
  - Environmental issues.
  - Quality.
  - Fiscal matters.

All of the managers interviewed in this sector\(^{137}\) had relations with the trade association's representative interviewed, and thought that this relationship was very important to the company. Human resource and personnel managers particularly, even in MNCs, found the association's help vital in interpreting labour legislation. In Granovetter's (1973) terms the associations form weak-tie relationships between companies, business and government.

\(^{137}\) The chemicals industry is very active in these terms because of two primary factors. 1) The need for governmental support developing, interpreting and forming laws pertaining to safety, pollution and competition. 2) Because the chemicals sector is a strategically important sector
Professional associations also exist in the form of colegios profesionales. The associations represent the major professions such as economists, lawyers and doctors. Ultimately they are responsible to the government ministry most relevant to their concerns. They represent another form of interest group with threads tying government, industry and management together. These associations enable some managers to use networks of professional associates to enhance their managerial performance (we will examine this more closely in the section on business networks in the chapter on regionalism and management mobility). It is unusual for management in Spain to have their own trade union representation however, although sindicatos de cuadros (middle management trade unions) do exist.

Employer's Organisations in Perspective

With their rapid expansion, the employers' organisations have begun to exert an influence over management and political policy in Spain. The tables have turned since the first government – unions negotiations in the 1970s (importantly the Moncloa agreement, discussed in the next sections), where employers' were not consulted. The CEOE has been instrumental in helping establish a governable framework between government, industry and labour (Martínez Lucio, 1998). In later years the PSOE and PP governments have had aims more in common with the CEOE than with the unions. In Spain the CEOE has maintained a very high profile, and the CEOE's president, José María Cuevas, is a common figure on television reports and in newspapers. With the government's ear, strong organisation and good funding, employers have exploited unions' low participation rate, poor funding and organisation to increase their leverage in demanding the weakening of labour legislation and the opening up of the labour market.

The Unions and Social Transition

On November 20th 1975 General Franco died. In the initial post-Franco years there existed a very uncertain transitional period. It was not apparent at that time whether Spain would embrace any form of democracy, and as we have outlined in the introductory chapters, there were several years during which the fate of Spain hung in the balance – years that culminated in an attempted military coup in 1981. This period
also coincided with the economic recession triggered by the world oil price crisis of 1973. During this period the unions emerged from the shadows, and were the driving force for political pluralism. Spanish Unions used their high profile and important social role to gain political influence out of proportion to their size. The communist (PC) and socialist political parties (PSOE) were very much based in their respective trade unions, and could rely upon their block support.

The power of the workers in the post-Franco period was expressed in strike action, and Table 15 indicates the growing militancy of the workers. Although strike action had been mounting towards the end of Franco’s rule, the strike rate saw a 10 fold rise the following years. The social legitimacy of the unions, coupled with the economic strike sanctions gave their political representative enormous leverage in negotiating with the government.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. Strikes</th>
<th>Man-hours lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>205</td>
<td>1,785,492</td>
</tr>
<tr>
<td>1970</td>
<td>817</td>
<td>6,750,900</td>
</tr>
<tr>
<td>1975</td>
<td>855</td>
<td>10,355,120</td>
</tr>
<tr>
<td>1976</td>
<td>1,568</td>
<td>110,016,240</td>
</tr>
<tr>
<td>1977</td>
<td>994</td>
<td>92,572,050</td>
</tr>
<tr>
<td>1978</td>
<td>1,356</td>
<td>128,738,478</td>
</tr>
<tr>
<td>1979</td>
<td>1,789</td>
<td>171,067,049</td>
</tr>
<tr>
<td>1980</td>
<td>1,669</td>
<td>108,625,662</td>
</tr>
</tbody>
</table>

Table 15 Industrial Disputes, 1966-80

The Development of Modern Industrial Relations

After the collapse of vertical syndicalism, companies were suddenly forced to negotiate with the unions. Both sides lacked experience in negotiation, except the dim memory of the pre-Civil War period in which Spanish unions were the largest (by membership) and most militant in Europe. The union’s political role in the political transition form authoritarianism also gave them a disproportionate voice in reconstructing the Spanish regime.

The next section will outline the agreements between government, unions and employers that created the modern framework for the Spanish business environment. The important points to bear in mind are in the development of contemporary labour legislation:

Source: Confederación Española de Organizaciones Empresariales (CEOE)
The extreme turbulence of the democratic transition.

The limited and fragmented nature of the legal agreements undertaken, with all parties negotiating trilaterally and bilaterally with each other in order to overcome expedient problems.

Companies were slow to see the unions as potential partners, as many companies sought governmental protection rather than negotiation with labour, and thus exacerbated strike action.

The conflict between the UGT and the CC.OO, which had been suppressed under the OSE, gave rise to a proxy battle between their sponsoring political parties, PSOE and the PC. This contributed to the piecemeal nature of tripartite and bipartite accords, and made developing a national strategy difficult for all the actors concerned.

The transitional period saw a series of expedient measures, culminating in 1977 in measures that collectively became known as the Moncloa pact, because they were resolved in the Moncloa palace. Negotiations were directly between the Suárez (UCD) government, and the head of socialist PSOE (González) and the communist PC (Carrillo). The unions were represented effectively by their political wings, but employers were not directly involved. The unions pressed for free trade unions, and their aim was realised in the Ley de Asociación Sindical (Free Trade Union Law, 1977), which abolished the OSE and committed Spain to ratifying key ILO conventions (87 and 98) guaranteeing rights of association and strike action. The 1977 constitution made clear the commitment to trade union rights\textsuperscript{139}, and heralded the first free trade union elections. These elections allowed workers to elect representatives for the new comités de empresa (works committees, or councils).

In 1980 the largest employers' organisation, the CEOE, signed the Acuerdo Marco Interconfederal (AMI), a bilateral accord with the UGT. This was the first ever employer-trade union pact in Spain. The agreement was mainly to negotiate wage rises, but the main impact that it has had still resonates today, and this was to set out the framework of industrial democracy in Spain. This was formalised when the Estatuto de Trabajadores (Workers' Statute) became law in 1980, laying down employment rights, collective bargaining arrangements, and formal worker

\textsuperscript{139} Article no. 28 of the Spanish constitution.
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representation. The law effectively laid a rigid framework, and we will examine the details and long-term implications in the section on industrial democracy.

Following the success of the AMI pact in halting strikes in 1980, further accords were negotiated over the proceeding years, all expanding the envelope of co-operation. The Acuerdo Nacional sobre Empleo (ANE, 1980-1982) involved the CC.OO, the UGT, the CEOE, and the government. Wage rises were agreed at 10.5% (3.5% below the rate of inflation) in return for government promises to reform employment benefits, social security payments and modernise collective bargaining.

The socialist election victory in 1982 appeared to represent the victory of labour. The Acuerdo Interconfederal (AI, 1984) extended collective bargaining provisions as promised in the ANE agreement. The next major accord was very significant, firstly as it was the first tripartite (labour, government and industry) agreement where all sides participated to set public spending levels, and secondly because it was also the last. The accord was the Acuerdo Económico y Social (Economic and Social Accord, AES, 1985 to 31 December 1986), and its explicit orientation was towards the EC membership. The accord set out the Spanish government’s plan for improving competitiveness in view of Spain’s integration into the EC. The provisions of the AES were:

- £237 million to modernise plant and machinery in labour intensive industry.
- A £284 million ‘solidarity fund’ raised between government, labour and industry for worker training, retraining and new-job creation.
- An extension of unemployment benefit to extend coverage from 25% to 48% of the eligible population.
- Commitments to eradicate multiple employment practices, increase productivity, reduce absenteeism and systematic overtime.
- A rationalisation of the bilateral collective agreements between workers and companies by stimulating national and regional bargaining.  

Interestingly the CC.OO refused to sign the agreement. This indicates the underlying tensions between the different unions and government.

The number of collective bargaining agreements increased from 1,349 in 1977 to 3,013 in 1986.
The Growing Schism

One of the great contradictions of Spanish political society in the late 1980s and 1990s was that the socialist PSOE government made great efforts to give employers greater power in labour negotiations. Since the labour relations highpoint of the AES, the economic policies of the PSOE aimed at EC membership and integration, have created a gulf between the aims of the unions and those of government macroeconomic policy (Gillespie, 1990). The primary causes of conflict were the acceptance of chronic high unemployment, and massive job reductions within the state sector. The growing unrest and union conflict in the late 1980s resulted in the general strike of December 14th, 1988, the first general strike in 50 years. The catalyst was the governments desire to create higher employment (which the unions wanted) by creating temporary minimum wage jobs for the unemployed (which they certainly did not want). Unions objected that this did not address the problem of long term employment, and amounted to “the law of the jungle” and “the worst attack on workers since the Franco era.” Around two thirds of the workforce signalled their protest by joining the strike. The UGT and the CC.OO began to align themselves after their previous rivalry, as the radicalised UGT moved leftwards and the PSOE moved further to the right of centre. The unions demanded that government:

- Start wealth redistribution and income equalisation.
- Protect employees.
- Expand union rights and industrial participation.

The González (the PSOE prime minister) government’s third election victory (29 October, 1989) was shadowed by discontent, and made further labour conciliation a priority. Continued high unemployment has not eased the situation, and a half-day general strike was held in May 1992. The strike brought to light the problems for González, because he is bound by Maastrict (EU treaty, 1992) European convergence criteria deadlines, such as the cutting of unemployment benefits rates. In this way the problem is unlikely to have an easy solution, as still uncompetitive Spanish labour is

142 A job creation scheme, giving employers £15,000 million to recruit unemployed workers under 25.
143 Zufiaur, José María “Discriminación Salarial” Cinco Días 14th November, 1996 p.2
144 Nicolás Redondo: former leader of the UGT and member of parliament until he resigned in protest to the 1988 budget.
unlikely to reconcile itself easily with the transition necessary for the creation of a modern flexible workforce. The 1994 reform of the Workers’ Statute did not endear the government to the unions. The UGT has distanced itself from the PSOE, and since the demise of the AES in 1986 labour relations have soured, despite talks in 1991 hoping to establish a Pacto de Competitividad (pact for becoming competitive), and further informal tripartite negotiations since June 1993 seeking to restrain wage rises and extend the strike laws.

The initial period of government – union cosiness is over, because the aims of unionised labour are ultimately reactionary and defensive, whilst the government has to look to the competition ahead in the EU, and the flexible labour force that it assumes is needed to compete. In the late 1980s Spain had the worst strike record in Europe, in terms of working days lost through strike action. Table 16 and Figure 14 shows the number of workers involved in strikes in Europe between 1987 and 1991. Table 17 and Figure 13 show the total number of man-hours lost in these strikes.

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</thead>
<tbody>
<tr>
<td>Spain</td>
<td>16</td>
<td>2022</td>
<td>7244</td>
<td>1448</td>
<td>776</td>
<td>1896</td>
</tr>
<tr>
<td>France</td>
<td>12</td>
<td>4272</td>
<td>403</td>
<td>298</td>
<td>278</td>
<td>408</td>
</tr>
<tr>
<td>Italy</td>
<td>39.6</td>
<td>155</td>
<td>2712</td>
<td>4452</td>
<td>1664</td>
<td>2951</td>
</tr>
<tr>
<td>Germany</td>
<td>33.8</td>
<td>887</td>
<td>33</td>
<td>44</td>
<td>257</td>
<td>208</td>
</tr>
<tr>
<td>UK</td>
<td>41.5</td>
<td>790</td>
<td>727</td>
<td>290</td>
<td></td>
<td>176</td>
</tr>
</tbody>
</table>

Table 16 Number of Workers involved in Strikes

At the height of union-PSOE hostility over the general strike, PSOE threatened to establish socialist workers’ union to rival the UGT.

Source: Diaz and Miller (1994) Table 8.1 p.146
Figure 13 Number Involved in Strikes\textsuperscript{147}

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>16</td>
<td>692</td>
<td>1509</td>
<td>454</td>
<td>265</td>
<td>463</td>
</tr>
<tr>
<td>France</td>
<td>12</td>
<td>100</td>
<td>109</td>
<td>179</td>
<td>69</td>
<td>49</td>
</tr>
<tr>
<td>Italy</td>
<td>39.6</td>
<td>316</td>
<td>224</td>
<td>300</td>
<td>341</td>
<td>195</td>
</tr>
<tr>
<td>Germany</td>
<td>33.8</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>UK</td>
<td>41.5</td>
<td>164</td>
<td>166</td>
<td>182</td>
<td>83</td>
<td>34</td>
</tr>
</tbody>
</table>

Table 17 Working Days Lost (per 1000)\textsuperscript{148}

Figure 14 Working Days Lost to Strikes (1000's)\textsuperscript{149}

\textsuperscript{147} Source: Table 16

\textsuperscript{148} Source: Díaz and Miller (1994) Table 8.1 p.146

\textsuperscript{149} Source: Table 17 Working Days Lost (per 1000)
The inefficiency of Spain's collective bargaining structure can be inferred from the Table 16 and Table 17. Man-hours lost per person in industrial disputes in Spain are much higher than in Italy\textsuperscript{150}, despite the Italian's having almost as many involved in strike action. In the Italian case, strikes are organised by large unions in large-scale industry, whilst the Spanish example represents fragmented union negotiation policies and representation. The great morass of small businesses that predominate in Spain also contribute to this:

- High unionisation in largest employers.
- Overall low unionisation because of pre-dominance of small business.

Overall unionisation in Spain is only 12%\textsuperscript{151} (1996) of the workforce, and in line with all European countries this figure has been steadily declining\textsuperscript{152} (Rhodes, 1994). The power of Spanish unions is not in their representation, but in their political clout and in the structure of industrial democracy that guarantees them a place in determining economic policy and business governance (Welch, 1996; Rhodes, 1994; Martínez Lucio, 1991; 1998). In this context, the composition of the trade union representation within specific industries and companies is important\textsuperscript{153}. We have already mentioned the conflict between the different trade unions in Spain, and this directly impacts upon management. Table 20 shows the changing balance of power within the works councils in companies.

<table>
<thead>
<tr>
<th>Trade Union</th>
<th>Percentage of delegates elected to work' committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC.OO</td>
<td>34.4</td>
</tr>
<tr>
<td>UGT</td>
<td>21.7</td>
</tr>
<tr>
<td>USO (Workers' Syndical Union)</td>
<td>3.9</td>
</tr>
<tr>
<td>Regional unions</td>
<td>1.0</td>
</tr>
<tr>
<td>Others</td>
<td>38.9</td>
</tr>
</tbody>
</table>

Table 18 Spanish Trade Union Elections\textsuperscript{154}

\textsuperscript{150} If the year 1988 is discounted from the table, then the fact that Italy largely has double the amount of employees engaged in strike action, working days lost is far fewer. 1988 can be seen to atypical because this was the general strike, a one day event that pushed the involvement numbers up whilst not giving a picture of the qualitative nature of this involvement.

\textsuperscript{151} Source: Welch (1996) p. 235

\textsuperscript{152} The unionisation rate was over 30% in the 1970s.

\textsuperscript{153} Trade unionism has been termed 'voters' rather than 'members' trade unionism (Martínez Lucio, 1998: 436). As workers elect representatives, many feel that do not need to join the union. Therefore unionisation rates can be misleading.

\textsuperscript{154} Source: Ministerio de Trabajo y Seguridad Social.
At first glance Spain appears to be dominated by only two unions, the UGT and the CC.OO. This masks the regional differences in unionisation rates and masks the balance between unions, the CC.OO being strongest in Catalonia and the UGT being stronger in Madrid. Regional unions' influence is very important when they hold the balance of power within a works council. Table 18 informs us that the UGT and the CC.OO are the dominant unions, and that both have been becoming ever more important. Both the UGT and CC.OO benefit from 'most representative trade union' clauses in the 1985 legislation, which mandates unions representing more than 10% of the works councils have better rights and are party to national collective bargaining. The growing coverage of both the CC.OO and UGT have made the works councils less fragmented in general, and facilitated collective bargaining. This is important in the workplace, as we shall examine in section IV of this chapter. Both the UGT and the CC.OO are increasingly forming ties between them, as the UGT distances itself from the PSOE, and working together on joint collective bargaining (Martínez Lucio, 1998). Overall, realignment has continued to separate political, business and labour interests from the tenacious OSE structure and to ease the creation of professional representative bodies.

The professionalisation of labour negotiation can be observed in the changing pattern of strike action from that in the late 1980s, which we have depicted previously. Although the number of man-hours lost is still high, there has been an overall decline (especially in the general strike in 1998 is discounted), and the number of strikes has declined significantly (Figure 15). However, Spain still has both the highest number of strikes and number of strikers in European industry (1988).
There is a debate upon the significance of the patchwork accords that were to develop regulating labour and unions into the 1990s. Victor Pérez Díaz (Pérez Díaz, 1984) and Salvador Giner (Giner, 1979; 1984) loosely agree that the corporatist structure of Franco’s syndicates has directly influenced the creation of the over-regulated and rigid
labour market today. By focusing primarily on the legislation, and inferring the pattern of industry-union relations from this, there is a tendency to overlook how companies and unions interrelate in the workplace. Martínez Lucio (Martínez Lucio, 1991) uses a more thorough analysis to suggest that although the legacy of state corporatism created a rigid labour market, at the same time the inflexibilities were compensated for by the pragmatic negotiations ‘backstage’ conducted by the principal actors involved. This view is supported by the pattern of piecemeal nature of labour, union and government negotiation reaching a modus operandum by adopting a policy of conciliation based around social accords and economic pacts in the early 1980s. The empirical evidence of this study substantiates the idea that companies have been active in bypassing rigidities by forming local agreements with unions and the workforce at the individual level. Political pluralism has stimulated the unions to become more democratically organised, and stimulated their professionalisation. This has enabled the devolution of collective bargaining to become better structured. Since the mid-1980s, companies have also been bypassing labour market rigidities by changing the pattern of worker employment by increasing the amount of temporary work contracts.
SECTION III. LABOUR, POLITICS AND INDUSTRIAL DEMOCRACY

We have examined the development of the framework of industrial democracy in Spain, and in this section we examine the mechanics in more detail.

The Workers Statute of 1980 set out the structure of collective bargaining, codetermination, representation and worker rights in Spanish companies. Collective bargaining is essentially carried out at national level, by negotiation between employers’ representatives (such as the CEOE) and Unions, by setting national guidelines, the convenios colectivos (collective agreements). Company’s ability to negotiate directly with their workforce is therefore limited, and companies are less able to respond to changing market conditions.

The fundamental form of worker representation and codetermination is through the institution of comité de empresa, (works council). It must be pointed out that although the works councils are technically separate from the unions, they are usually dominated by the major unions (the UGT, CC.OO and any significant regional union). In practice there is little distinction between unions and works councils, and the unions have sometimes been accused of using the councils in the power struggle between themselves. The formal structure of employee representation in the workplace depends upon the size of the company. Firms with under 50 workers appoint a member of staff to represent the workers, as delegados de personal (staff representatives), with 1 delegado for where there are less than 31 employees, and 3 delegados for companies with over 31 employees. A firm with over 50 employees (in its total organisation) has a formal comité de empresa, and representation is calculated as shown in Table 20:

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Works Committee Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-100</td>
<td>5</td>
</tr>
<tr>
<td>101-250</td>
<td>9</td>
</tr>
<tr>
<td>251-500</td>
<td>13</td>
</tr>
<tr>
<td>501-750</td>
<td>17</td>
</tr>
<tr>
<td>751-1,000</td>
<td>21</td>
</tr>
<tr>
<td>Over 1,000</td>
<td>2 additional per 1,000 until 75 maximum</td>
</tr>
</tbody>
</table>

Table 20 Works Committee Membership
Labour and Trade Unions in Spain: Politics to Personalities

The responsibilities of the *comités de empresa*\(^{157}\) are to supervise labour law, social security and employment legislation compliance. The *comités* also act as the health and safety committee (although firms with over 100 employees would have a separate committee). They have a consultative powers with management. The works councils have access to:

- Quarterly balance sheet and financial information.
- Quarterly disciplinary, absenteeism, sick and accident reports, as well as monthly overtime worked data.
- The right to be informed in matters regarding training and work experience programmes.
- Consultation in changes in employment terms or conditions.

Management must also consult the works council on decisions regarding:

- Employment policy.
- Working methods.
- Working conditions.
- Productivity.

The works councils form sub-committees to deal with the host of responsibilities that they cover (such as health and safety, absenteeism). The management have to deal with these committees also.

Workers are also entitled to board representation. In companies with more than 50 workers, companies must appoint one worker representative to the *consejo de administración* (board of directors) if the board has more than three members. Further worker representatives are appointed in ratio of one representative to every six board members. In Spain the works councils have negotiating rights at board level (Rhodes, 1994). Although this is similar to codetermination structure in Germany, managers interviewed for the study with experience in both countries cite major differences in the significance in Spain. Managers, both German and Spanish, explained that whilst in Germany there is goal congruence between the aims of the worker representative

\(^{157}\) These conditions were legislated by the AMI pact, and reaffirmed in 1985 when the Trade
and the board (as testified by Lawrence, 1980; 1990), that enabled joint decision making and planning, in Spain union representatives still conceived the employer-worker relationship as opposed. Whilst not all representatives were obstructive or confrontational, there was a feeling that even the most progressive did not “have a mentality for co-operation. They never suggest ideas.” And this is the cornerstone of successful codetermination.

The labour market is still heavily regulated. “In general, it is virtually impossible to dismiss employees without paying compensation,” wrote Ian Blackshaw (1980) in the late 1970s. Little has changed since then. Although compensation for ‘objective dismissal’ is technically 20 days pay per year of service, the actual award given is usually very much higher (Welch, 1996; Valls and Young, 1996). Labour law is enforced through Magistrados de Trabajo (labour magistrates), in the special sala social of the Supreme Court.

Reform of the Labour Laws

A number of reforms by the González government (1982-1996) were designed to free up the labour market in response to greater European competition, and were introduced through the 1980s and early 1990s. The most important of these was the 1994 reform of the 1980 Worker’s Statute, the cornerstone of labour regulation in Spain, which implied fundamental changes in the structure of labour relations (Welch, 1996). The law attempted to deregulate forms of labour contracting, labour relations and individual and collective bargaining structures. One of the partially realised aims of the CEOE was to allow companies to negotiate convenios colectivos (industry collective agreements governing wages and working conditions) directly with their local union representatives. The reform aimed to remove state apparatus (largely unchanged form the Franco period of vertical syndicates) with self-regulating collective and individual bargaining between social partners. This reform was meant to devolve negotiation to workplace level because of the culture of local bargaining is still sufficiently developed. In addition to this weakness, since 1981 the responsibility

Union Freedom Laws were ratified. The law allowed part-time contracts (contratos a tiempo parcial), already an informal part of the economic landscape. The law also created two other forms of contract, work placements (contratos en prácticas) and apprenticeships (contratos de aprendizaje). Private employment agencies (agencias de contatación) were allowed for the first time since the 1940s.
for labour laws has been progressively decentralised to the Spanish regions\textsuperscript{159}. Industrialised \textit{autónimas} such as Catalonia have been controlling many aspects of labour legislation for some time, although they have significantly more developed political powers than less industrialised regions\textsuperscript{160}. One major impact of the reform was to create categories of temporary employment, which the government hoped would lead to permanent employment in the long-term\textsuperscript{161}.

In the section on labour relations in the workplace we shall address the question of whether managers perceive any significant impact of the 1994 reform.

Summary

Spain has been slow to construct institutions governing labour and unions, relying upon piecemeal development. Labour market rigidities still exist, but the marginalisation of the unions and the growth of the CEOE has created a rigid national labour market which may be bypassed by localised and sectoral collective agreements. Despite views that the high level collusion between the heads of political parties, labour unions and employer organisations suggests the persistence of state syndicalism, this misleads the qualitative change in relationships between the actors concerned. In the early years of democracy both labour and employers naturally looked towards the government for solutions, and with PSOE's election the government was very close to the unions. However, PSOE's ambiguity in labour matters and headfast drive towards European competitiveness led to a separation between it and the unions. The carry-overs of corporatism remain visible, but the orientation of the individual parties has been towards re-creating themselves as more professional, independent bodies.

In this context the most pressing problem for industry lies less in legislative strictures than in the labour pool itself: despite high unemployment the poor educational development charted in the chapter on education remains a problem. The skilled

\textsuperscript{159} Central government has been devolved to the \textit{Dirección Provincial de Trabajo y Seguridad Social} in the 53 Spanish provinces (and 16 autonimas). The Mediation, Arbitration and Conciliation Institute (IMAC) has been fully devolved for example.

\textsuperscript{160} The framework for industrial negotiation in Catalonia has a long history, with the existence of the \textit{gremios} (guilds) in the middle ages laying a framework for labour development that created the established pattern of sophisticated labour and management representative organisations.

\textsuperscript{161} Parry, John "Spanish Workers Take a Short-Term View: Spain is Heading for a North-European Style Job Market" \textit{The European} 30\textsuperscript{th} May - June 5\textsuperscript{th} p.21 "La Contratación fija sigue a la baja" \textit{La Vanguardia} 2\textsuperscript{nd} November 1996, p.2 Business section
labour pool is too shallow. This coupled with demographic stagnation this will necessitate a management focus upon training and skilling, mandating a proactive policy.
SECTION IV. LABOUR AND UNIONS IN THE WORKPLACE

The Impact of Labour Reforms

There is no doubt that some the 1994 labour reforms have been a start, and the following ad hoc increases in temporary contracts also are signs of continuing labour market reform (Naudin, 1997). The European newspaper reported on changes in the business culture as being extremely positive, highlighting benefits stemming from the "mixture of privatisation, public spending cuts and some progress on tackling Spain's inflexible working practices." In this section we are interested whether managers have perceived these changes as having any impact in the workplace. In general, human resource and personnel managers were unimpressed by the changes the labour laws have had upon the business environment and their work. The senior human resource manager of a Catalan multinational commented:

The labour law reforms have not helped in anyway. There is always talk about labour law reforms, and there are some little reforms, but they are good for nothing [servir para nada]. As far as big business is concerned it's all talk. The 1994 reform did almost nothing for us. We are still working with the same models as 70 years ago more or less. There has been no progress with the labour laws. The worker's statute of 1980 is set in stone.
The legislation is closed, protective, and was developed under the dictatorship. It was logical for the time because of the autarkic economy and immobile labour, but it is no longer good for competitiveness in liberal markets. We are still close to this old organisational form.

The human resource manager of a British multinational operating in Catalonia was similarly unimpressed:

162 "Arriba España: The Booming Economy in Spain" The European 14th August, 1997 p. 5
No, in practice the labour laws are no better now. It is almost impossible to sack people; if you can it costs a great deal of money. So instead of sacking we have to move people from plant to plant, or change their jobs.

The impact of the 1994 reforms in freeing up the labour market also came in for criticism by managers. A senior manager commented that:

The 1994 reforms governing the temporary labour laws, as far as we are concerned, were made without our (business) consultation. It is not what we need. Short-term contracts between 3 and 6 months do not fulfil our needs. We need to break the old system of rigid labour, but we also need stability. These short contracts do not help planning and training and are in a way just as inflexible. Because of this policy 40% of the unions are complaining about the creation of “precarious employment”, causing us more trouble. They are inflexible and employment law is inflexible. What we need most is flexibility.

Managers used temporary contracts as a strategy in reducing labour contracting costs, although as testified above, they were not happy about needing to ‘go around the law’ rather than see wholesale reform. One manager explained how his job was made more difficult by this situation:

There is a great deal of de-contracting; because of downsizing we are arranging early retirements for those under 65, and we have a lot of temporary labour. We hire temporary workers so that they will not be bound by the rigid contracts and legislation for permanent workers. We have to get rid of temporary workers all the time. It is all very complex.

**Participation and Co-determination**

The formal framework for worker representation, and co-determination in Spain is set in law. However, many companies had very different ways of forging a working relationship with the unions. In some large companies where the unions were traditionally confrontational, the sole point of contact with the unions was through the scheduled (legally required) works council meetings. The German training and
development human resource manager of a multinational company with a history of difficult labour relations explained to the author how, despite similarities, the legal framework of co-determination in Germany and Spain are very different in reality:

The unions here are not professional. And they are not representative. Here (in this company) they represent less than a fifth of the workforce. The framework of co-determination is a problem because the unions do not have the right mentality. In Germany the unions are professional, and they are integrated up into the board room level. They are economists, lawyers, and professionals. But this is not the case in Spain. In Germany management and unions may make decisions together, but here 95% of the plans come from the company. The unions are formally involved in the management process [through the councils], but they oppose plans by rote.

The production manager of a large manufacturing company noted the confrontational and non-participatory attitude of the unions representing the workers in the company:

When we have a meeting the union representatives sit together, as far away from to us as they can get. Sometimes, if I come late to a meeting, I sit with them, but they don’t like this. They want to be opposite us, very old fashioned, very confrontational. They are always thinking that you’re the boss, the enemy.

Despite this, there are many companies, especially smaller companies, where there is very little union affiliation at all, where the nature of union-representatives-company relationship is very good. The nature of this relationship is often informal, spontaneous, and direct, between managers and the comité members. A senior manager explained how:

Every month we meet with the comité de empresa. We have a formal meeting because it is a legal requirement, but in reality it is informal because we have already solved problems between us – we often don’t wait for the meetings, we just phone each other and sort problems out
between us. Later at the official meetings we just officially sign what has already been done.

In this way another company explained how there was flexibility in the system for negotiation, again dependent upon direct personal relationships with the union representatives. A senior manager in a Catalan company told me that he and the president of the comité often reached an accord without consultation with the comité itself (although this is technically illegal). Another manager in a different manufacturing company explained how the problem of the CGT, the most problematic union for business in Catalonia, was avoided:

We have meetings only to comply with the law. By the time we have meetings we already have under the table agreements worked out both with the UGT and the CC.OO. The CGT are required to sign these agreements, but we do not involve them in the informal decision making process. This way they have no choice but to ratify what we have already agreed with the majority unions. We only meet with them for legal reasons.

Contemporary Management Union Relations
Managers’ views on unions were divided. Managers in some industries complained that the unions were their major problem. In other sectors, unions were seen as helpful, or at least as a major problem. Interestingly, there were often equally large differences in opinion within the same sectors, and even in different plants of the same company. Managers agreed that the union’s historic relationship with the company or plant, and the question of who represented the union inside the company, were more important than the trade union central office policy and party line in determining the relationship that the union would have with a company, or plant. For example, many established Catalan companies have a good union relationship because of the depth and history of their relationship, whilst in other companies bad feeling may stretch back to the pre-Civil War period. Individual plants may have a history of unrest with companies that have, in general, good labour relations. This is a major problem for many large businesses, and the primary cause is that there several unions present in a company, with changing levels of representation between them. Human resource
Managers not only have to dialogue with the comité as a whole, but with several unions in competition with each other. A human resource manager in one of Catalonia’s largest employers explained that:

Our major problem here is the same that many Spanish companies have: the trade unions. We have to negotiate a lot more with them than our colleagues in Europe, because they can do many things we can’t without any agreements from the unions. In the company in the UK there are no unions in the plant. But here I have to negotiate with the union representatives: the CC.OO, UGT, Cijen (a local union) and the CGT. I deal with them as one body. The problem is that it is one body but composed of different unions which are both competing with each other and us. This is the major difference in my work than with the other human resource managers in Europe.

A human resource manager in a rival company in the same sector however found that:

In Spain there is great union power, but little affiliation. This is not a problem for us, as every month the unions are becoming more progressive, trained and better prepared. This is civilised unionism, and they are very necessary for us.

The production manager to a large British multinational accounted for some of these differences as being dependent upon the personalities of the actors involved in management-union negotiation, first and foremost:

Relations depend on the epoch, not whether the CC.OO or UGT has the ascendancy in the works council, but upon the personalities of the representatives. It depends whether they are reasonable, or if there is something ‘wrong’ with them, if they are strange, or odd. More than anything else, our personal relationship with them determines whether we have good industrial relations. If we can get along with them, we can solve problems together.
The constant conflict and power struggles within unions are signs of the lack of maturity that Spanish organised labour has. However, many managers perceive changes in the organisation and orientation of the unions. A group level HRM manager, with 41 years of managerial experience, (26 in an Italian MNC and 15 years with his present Spanish MNC) gave his summary of change within the unions:

Since 1982 the unions have really changed. Before they had been political organisations – Marxists and superstructuralists. This was artificial because unionisation rates were low. Now I find that the unions are much more professional, and they are developing rapidly.

Managers concurred that the unions' political affiliations were no longer significant. Their assessment of this was based primarily upon their reliance personal relations with union officials as individuals, but also reflected the growing rapprochement between the UGT and CC.OO. There was one recurrent exception to this however, namely in Catalan companies. Managers still thought that the anarchist CGT remained adversarial in policy and unlikely to reform.

The Impact of the Labour Laws upon the Human Resource Function

The transition of the personnel function into a more fully developed human resource management function has lagged behind that of companies in Britain (Filella, 1992), even in MNC subsidiaries. The dictates of the labour laws, and the codetermination framework have been the major contributors. This deficiency has been noted in previous studies, “the management of human resources is an area that is still lacking in Spanish companies, HRM is not a major boardroom concern, and the employee is still seen “as an 'enemy' who has to be controlled” (Díaz and Miller, 1994: 162). In the 1990s many companies in Spain have been changing from a personnel to a HRM orientation, but again the labour relations framework has been a determinant of the extent that the HRM function is able to control its resource adequately.

First we will examine the role of the HRM function in a typical (large and medium sized) company in Spain. The group personnel director for one of Spain’s most successful MNCs outlined his job responsibilities:

- Negotiating working conditions with unions (the collective convenios.)
Labour and Trade Unions in Spain: Politics to Personalities

- Recruitment.
- Health and safety issues with union committees.
- Training
  - External programmes:
  - Conferences
  - Fairs
  - Internal programmes
    - English language courses for our salesmen abroad and those in factories abroad. General training courses specific to jobs

This range of functions was typical of the managers interviewed. It is worth noting that the first response, as in this example, is usually dealing with the unions and labour laws. Much of the human resource manager’s time in Spain is spent meeting with the requirements of the labour laws. Meetings and decisions must be held with the comité and much time is taken up “with all the myriad smaller comités: health and safety, worker lunches, training, social groups ... the list is endless.” The cost and difficulty of replacing workers and managers has a great impact on the human resource function, making it a key issue in the organisation. For a small company it can be one of their major costs. The Catalan financial manager of a Danish multinational gave his opinion that:

The labour laws make personnel changes more difficult – and make it more difficult to hire new people. If you need to make changes your hands are tied. I believe this is one reason why the unemployment rate is so high in Spain.

The human resource training and development manager of a Japanese multinational told me that:

My major problem at work is people: such as sacking people and trying to pay the least possible to them. The labour laws are a very big

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163 It is interesting that many of these training courses are co-operative arrangement shared with other MNCs (both Spanish and foreign) and their staff.
difference between my work in Spain and the other human resource managers' work in the European organisation. This is a problem, as sometimes my boss (who is based in Holland) doesn't understand this difference.

Human resource managers in multinationals who regularly met or spoke with their European counterparts identified the requirements of the labour laws as making their job significantly different from their peers. In some multinationals the human resource department was more similar to a personnel department because of the lack of scope they felt they were legally allowed to manage their resources. As indicated, this difference caused by external political and labour market conditions may be a source of conflict within MNCs who fail to appreciate the peculiar aspects to the business culture in Spain. Most MNCs operating in Spain at least acknowledge that it is vital to have a native Spanish HRM team, preferably specialised at higher level in labour law, even in the rare cases where the bulk of the management is not Spanish nationals.

Another difference in MNCs is the difference in authority, hierarchy and communication in Spanish companies. We shall examine this in section II of the thesis in depth. In the HRM context the major difference is how policy is interpreted and implemented by the Spanish national organisation. A British technical manager for a global software company had experience of his organisation worldwide. However, he was able to say that "although we have exactly the same rules and procedures everywhere, in Spain they just aren't followed. In Holland, for example, they follow the letter of the law – but in Spain I see people doing exactly the opposite."

One manifestation of this is in relation to the workers. Paternalistic attitudes are strong in many traditional companies. HRM managers in Spain have a more humanistic approach to staff. The HRM director for a Spanish MNC explained that:

You must discipline without offending the workers. It is important to make the workers happy. Their happiness is more important than money to them. It is the natural state of people to work, to do a service and therefore to earn the best pay.

A third major difference is in regard to staff mobility. In general Spanish HRM managers develop regional strategies (McFarlin, Sweeney and Cotton, 1992). In Spain
rigid labour laws, strong regionalism, the impact of the INI on suppressing labour and managerial mobility and regional economic imbalances all act against the free geographic movement of managerial capital. The interview based research revealed that this was a major problem for HRM managers and business management in general. We explore these issues in the chapters on career paths and management mobility.

Job Descriptions – Rigid or Slack?
We have noted that one persistent carry over from the OSE structure has been the rigid worker categories that act to restrict labour mobility. This has created problems for MNCs (particularly) wishing to instigate innovatory multi-skilled working practices, such as quality circles (Martínez Lucio 1992; 1998). In contrast to this however, most managerial posts in Spain are very poorly defined. We shall examine the implications of this feature of Spanish management more thoroughly in Section II of the thesis. In the context of the HRM function weak job descriptions have given HRM managers two specific concerns:

- Many HRM managers in Spain perceive the need to tighten job descriptions, and pin down specific task responsibilities. This is important especially in companies trying to implement formalised control procedures and management systems.
- In MNCs operating in Spain that do have tight procedures and systems, there is the need to tighten job description to ensure that responsibilities are understood. The specific concern here is that Spanish managers are used to vague job responsibilities and are accustomed to carrying out tasks other than those usually associated with the post that they occupy. We shall examine this fundamental difference in managerial expectations in Spain in the chapter on authority and hierarchy.

Training
Training has traditionally been seen as a marginal concern by Spanish companies, especially at the family level of business that is predominant in Spain (Díaz and Miller, 1994). In medium and large business the lack of mobility locked employees into rigidly defined posts, therefore undermining many training needs. However, there
has been enormous change in companies and the labour law, as we have seen. Both management and unions now realise the need for training. MNCs have been at the forefront of training and greater job flexibility, in order to be able to create a viable atmosphere for quality circles and other novel labour organisational forms. In this context Spanish managers, even within the same sector, were split. Whilst one manager found that "the unions object to these forms of organisation, which undermine their traditional categories of employment", his opposite number in a rival felt that "the introduction of quality circles has been successful, and would not have been possible without union co-operation". In both cases however the managers felt that the workforce were behind learning new skills.

There is an institutional framework for worker training built into the works councils' structure, and this is the primary point at which the company and union meet to allocate resources. The majority of companies have two main training programmes, an official staff training programme and a 'social programme' that is maintained by the unions and labour, supported by the company. The 1994 reforms changed the financial structure of these arrangements. Training issues are summarised by the group HRM manager in the testimony below:

There is a social partnership for employee training. We [companies] used to have to pay the government some money for training programmes, and to contribute to FP [vocational training] costs for workers, which they distributed. However, since two years ago the government money has been given to the manufacturers' associations and the unions to distribute. The money is intended for workers training programmes, so it does not technically belong to the unions, but it seems as though they are giving it to us to help pay for training, and this helps the relationship with them and the workers. It is a social partnership and together we run training classes for staff. These FP programmes are very important for workers, to help resolve problems in the original FP II education which many of them received.

Adequate workforce training in the workplace is therefore a co-operative arrangement between employer and worker. Without good relations between the two, training programmes suffer, and the company suffers. At the end of the day, the Spanish
workers often find their opportunities to expand their (much-needed) skills-base compromised.

**Spanish HRM in Perspective**

The different cultural attitudes in Spain have given HRM management a different orientation and flavour. The priorities are different for external (the legal labour market framework) and cultural reasons (internalised views on the responsibilities for labour). From a British perspective it has been argued that this makes HRM in Spain less professional. Certainly it is different, and there has been less formalisation of rules and procedures, except in regard to the rigid framework of labour laws which must be complied with. In the previous section on union relations in the workplace we have seen the way in which Spanish HRM managers manage within this framework is very distinctive. Personality still has a large role to play in Spanish organisations, especially in dialogue with unions and labour, which in Spain is the core of the job. It is not likely, for example, that a British HRM manager would be able to say “the next HRM director will do things very differently from me, completely differently in terms of style, in culture, and in organisation. You can be sure of this.” However, the tightening of managerial job descriptions, the loosening of the labour laws, more union company co-operation (for training, for example) and the potential of company union collective bargaining at national level may well be factors which will make the content of the HRM function more similar to that in Europe generally.
SECTION V. POLITICS TO PERSONALITIES

Spanish unions are still not as professional as their northern European counterparts. So far they have been unable to create consistent organisations, and the power struggle between the major unions has been as damaging to labour as it has to industry. This observation is made at a time when the role of unions is changing in Europe in general. Downsizing, increasing specialisation and the changing nature of industrial production has meant that unions need to redefine their role, and come to terms with the changing nature of the workforce that they represent. In this process the Spanish unions have been making progress but confrontational attitudes still linger, and there remain unions, such as the CGT, with no intention of compromise. Despite the continuing low unionisation rate in Spain, the political and social status of the unions is still strong. Union marches and demonstrations are still a constant feature in Spanish daily life, and May Day remains a major festival in Spain, reminding the people that they (to some extent) have the unions to thank for their political freedom today.

For all the hyperbole and the political stance of national union organisations, they have often been surprisingly flexible at company level, in the form of the works councils. Companies have found that from the Moncloa days when labour relations were framed by national politics, they are able to forge working relationships at personal levels with labour representatives. In this way the orientation of industrial relations has changed from politics to personalities. The rigid labour framework remains a major obstacle for Spanish management, but the personal working solution is, as we shall explore in the study, typically Spanish.

A persistent problem for Spanish business and managers are the labour laws. Highlighting this problem, in the face of increasing competition and the oncoming single European currency, a recent headline screamed:

Los empresarios piden reformas drásticas para afrontar el euro – consideran imprescindible revisar a fondo el sistema laboral\textsuperscript{164}

(Businessmen beg for drastic reforms to confront the Euro – they consider it vital to change the very basis of the labour laws.)

\textsuperscript{164} \textit{La Vanguardia} 17\textsuperscript{th} October 1996, p.1
Section II

MANAGEMENT IN SPAIN
Who Are the Managers

CHAPTER EIGHT: A MANAGERIAL CLASS? WHO ARE THE MANAGERS

In this section we will attempt to construct a picture of ‘managers’, that is to say, the people working in management functions, and determine whether they could be said to represent, or form, a class of people. Unlike France (Barsoux, 1988; Barsoux and Lawrence, 1990; 1997; Sorge, 1993), in Spain there is no official status of ‘manager’\(^{165}\), but managers may still constitute a cohesive group of people. The basic questions addressed in this section are:

- Who are the managers?
- What jobs do they do?
- What motivates them?

To suggest some answers to these questions the following areas are discussed in this section:

- How managers are chosen: recruitment selection procedure.
- Typical career paths.
- The social status of management.
- What satisfaction managers derive from work, and what motivates them.
- A restatement of the role of the Business Schools and educational system in shaping managers.

The Selection of New Managers

This section concerns the recruitment and selection of new management staff within companies. Rather than purely describe the recruitment mechanism and procedures the section hopes to show some of the managers’ psychological concerns in the selection of new staff. By asking managers about the qualities that they are seeking in appointing new managers they reveal their personal value system. The section also sheds light on manager’s perceptions of the issues important in the formation and background most suitable to management.

\(^{165}\) In France the status of managers is officially recognised in the expression *les cadres.*
Who Are the Managers

First, let us examine the basic mechanism of management selection. The mechanisms employed by companies depend on ownership and sector. Companies have had different procedures, depending upon whether they have a centralised human resources department of their own, or were dependent on employing external agencies. The recruitment procedure also varied within companies depending upon the seniority or specialism of the job in question. This study does not attempt to explain or depict these differing methods of personnel selection in great detail. In general middle-management posts are advertised in the national press and internal human resource and personnel departments sort applications. Entry tests or primary interviews may then be used before more formal interviews with the remaining candidates. This interview is the most important stage of the process. For senior management positions recruitment agencies, or ‘head-hunters’, are increasingly being used to provide the initial candidates. Again, the most important stage of the recruitment procedure is the personal interview conducted by the company. In all applications chosen for interview the candidate, or designate, was expected to have the necessary basic qualifications for the job in question.

This section is concerned with the value systems and judgements made in personnel selection. Whether managerial candidates are found via internal human resources, or presented for interview by an external recruitment agency or management head-hunter, choices have to be made to select one individual. Usually the candidate is presented to the immediate superior responsible for the vacant post. This responsible manager must make value judgements, and it is these values that we are attempting to depict.

Throughout Spanish regions, industrial sectors and management functions there was a great consensus as to the most important criteria in selecting new managers. When describing the qualities they considered important for potential managers, three main areas were identified:

- Human personal qualities
- Experience
- Academic qualifications.

166 In the case of small companies without a specialist function recruitment agencies may be employed to field initial candidates. In family owned businesses the general manager may select candidates for interview, as there is generally a ‘hands-on’ approach.
Who Are the Managers

Human Personal Qualities
The major difference between the value prioritisation in managerial recruitment in Spain and in Great Britain concerns the importance placed on an individual’s personal qualities. Subjective personal qualities were taken as important indicators of potential managerial performance. Whilst this is to some extent the case in the United Kingdom, the weighting given to these qualities in Spain was more than would be expected. More than 80% of the managers questioned said that they viewed personal qualities as the most important aspect in personnel selection over experience or academic qualifications.

Qualities seen as important were:

- The ability to adapt well.
- That applicants are ‘normal’, and that they follow ‘appropriate’ behaviour.
- They are honest.
- They can work well with others.\footnote{Banesto (a major bank) chairman Alfredo Sáenz, has said “I believe strongly in teams; one individual is nothing”. *The European* 30\textsuperscript{th} May – 5\textsuperscript{th} June, 1996 p.32}
- That they are serious, responsible.
- They are honourable.
- That they are hard workers.

An operations manager (a manager in charge of all production sites) for a British owned multinational company described his recruitment priorities:

We are more concerned with personal qualities. We have an interview, but it is hard to tell in just a few hours. We ask about their family. In England and the US this is not possible, but we want to know all about their parents, their grandparents. For example, if his father is a bank manager then the son will have the same qualities. We are looking to see whether they can integrate with us.

We value the human qualities more than the technical qualities. For example, for recruiting someone at management level we would take him...
out to dinner. We would eat together and be able to see if they were strange or odd in their personal habits \(^{168}\) ... we can see their stability.

Also references from previous companies are very important. They know what the person is like, so I 'phone them up, and they may say “ah yes, he's very nice, a great worker” or “don't work with him, he's lazy”. This is very important.

Asked to give an indication of how positive qualities can manifest themselves in an interview, the vice-chairman of a Catalan company explained how subjective perceptions could be a good indicator:

You can tell managerial qualities by their look, for example. If they are slouched over, or if they are timid then I don't like that. They should have confidence about themselves. I find it incredible we have people come here for interviews, then they sit limply, or they shake hands weakly. We are looking for people with some spirit \([poco sangre]\)!

A human resources manager elaborated on which personal values were thought to be good indicators of management potential:

Applicants must not be radical in any sense – be it political, with their relationship with their family, or in their personal tastes. We like to make sure that they come from good families, and that there are no family conflicts. This tells us about their stability and ability to form relationships. So we ask about their family. This is normal for us.

**Academic Qualifications**

Most managers’ priority was not educational qualifications, providing that the qualifications were of sufficient standard. Given several candidates of broadly similar education, qualifications would not be the determinant quality. A typical response from a plant manager:

\(^{168}\) This manager even commented (jokingly perhaps) that he would notice if the applicant used an excess of salt on the ‘wrong’ foods. There, it has been said, is nothing quite as serious as a joke.
Firstly we have a basic technical entrance test. People take this after responding to adverts in the newspapers. The technical knowledge is not really the top priority for us though, because we can train people ourselves, and they can learn.

In light of the generalist career path prevalent in Spain, specific technical qualifications are often not within the field where the manager will be working. Asked whether appointing managers would prefer applicants from private universities or public universities, again the majority specified that personal qualities were much more important than:

_Titulos_ (higher educational qualifications) don't show whether you can work. You can go to a good university and not work, mess around, or go to a poor one and work very hard. It makes no difference to me.

A senior manager and board member of one of Catalonia's largest employers gave me his priorities:

We don't want the best people, the most academically brilliant. Often these people are limited. We don't care if they are fantastic at their subject but unable to get along with people. We need managers whom we can work with, first and foremost.

The complex issue of private education did not appear to be a major concern of recruitment managers either, in a strictly academic sense. Managers did not automatically say that they would favour applicants from the best schools, such as 'Duesto', or that they would consider these people superior. In this way there is not the same 'club' mentality as could be portrayed in British business, where Oxbridge alumni are considered high status, or that of France, where many managerial posts advertise explicitly for graduates of specific _grandes écoles_ (Barsoux, 1988). This is not to say that there is not elitism, but that in terms of recruitment the issue is not

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169 Literally "some blood".

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pressing. There is evidence that in political circles, the civil service and state sector finance and banking, such issues are important, but that has not been the finding in this research project upon business and industry. Whilst the importance of private education did not manifest itself in this way, there is another facet that managers brought to the researcher's attention concerning managerial relations (which are important in Spain). A production manager who had been privately educated felt that:

I feel more comfortable with people from my university, or other private universities. I understand them better and it is easier to relate to them and work together.

Again this is a reflection upon personal qualities rather than educational ones. One of the possibilities of private education in the Catholic universities managed by either the Jesuits (such as ESADE) or the Opus Dei (IESE, for example) is that alumni may be members of the religious organisations, and therefore bring their value system and priorities into the business culture. Managers acknowledged that such managers found it easier to manage and relate to other members of their organisation. There are anecdotal examples of managers from the Opus Dei attempting to force their values upon their management team, but this problem was exceptional. Religious affiliation, or lack of it, is not seen by the majority of managers to be an impediment to modern business. In fact, the drive, commitment and discipline demanded by the religious organisations of their members could, in some cases, be considered beneficial.

Experience

The question of experience varied greatly with the management sector and position in question. However, some comments were constant in the majority of interviews. First, many executives recruiting graduates or manager working in technical specialisms into general management liked to recruit those, or at least did not exclude those, who did not have previous experience. In this way they could train the recruit to their working methods and company values. Managers in some companies were consciously using this tactic to exclude managers 'tainted' by experiences working for the state sector.

For technically specialist positions experience was seen as a priority, although a commodity in short supply. "The problem for us is that there are plenty of young
managers suitable for the job, but none of them have experience due to the economic and unemployment situation" commented one manager. Spain has Europe's fastest growing computer industry (a response to its poor starting position), but many technical specialists are British and non-Spanish Europeans. This problem was exacerbated in the less industrialised regions, especially in the South of Spain. A Madrid based operations manager described how this was a problem for managing the Andalucian plants, as “managers there have fine education, but they are not experienced because of the high unemployment. It is very difficult to find experienced managers in the South. And our managers will not go.”

Advertising and the Curriculum Vitae
Recruitment advertising in Spain reflects the prioritisation of human values, and the generalist attitude towards educational qualifications. In contrast to recruitment advertising in France, which prioritises specific educational qualifications, and even specific universities from which candidates may apply (Barsoux, 1988) Spanish adverts are more like their British equivalents. To some degree this is because of the predominance of European and American MNCs in the managerial job market, and these companies tend to use similar adverts in their home and subsidiary markets (many are in English). Exhibit E (in the appendix) shows some examples of recruitment advertising.

In response to this Spanish managers Curriculum Vitae (CVs) are beginning to reflect American and British CVs. Formerly there was a formal template that Spaniards adopted from practices in school. This model simply stated the person's name, personal details, and educational career and job experience. There was no additional information or section such 'personal interests' as is usually found on British CVs. This formula was expected to take up a single side of A4 paper. Today many Spanish business graduates seeking employment have been influenced by American CVs, to which many are introduced during their studies. Mission statements and 'development plans' are becoming more standard on CVs.

Personnel Selection as a Transmitter of Culture
A recurrent word in manager's descriptions of positive personal qualities is 'normal'. The word normal suggests conformity to a subjective set of social measures held by the manager in question. In regard to the list of positive personal qualities suggested
by managers, conformity to these values could be described as ‘normal’. In this way executives are recruiting managers that share their own value system, and through the system of authority relations and communication channels described in the next chapter, these values are reinforced within the group.

In this way the continuity of cultural values is passed along to new managers, and helps create homogeneity in managers who come from different regions, have different educational specialisms, and who work in different industrial sectors.

In the chapter on state industry we examined the legacy of INI management, and it is the system of personnel selection that has led to the continuance of INI values in some industries where ‘old generation’ managers remain. It is in this way that younger managers entering into the state sector were inculcated with the ‘law and order’ values of senior staff – they were originally selected because they had a similar mentality. These values are reinforced through constant interaction and expectation. This has lead to one human resources manager commenting that in his business “the law and order culture dies slowly.” A training and development manager commented to me that “when comparing the management of the ‘old managers’ to the ‘new managers’, it is not a question of age. There are young managers like the old managers, because they work with them.” The role of the leader in shaping the values of his team are seen as vital, and will are explicitly addressed in the chapter on authority, status and hierarchy.

**Career Path Structure**

From examining the career path of managers interviewed for the study, and of the respondents to the International Business Values Survey an attempt has been made to generalise a ‘typical’ Spanish management career path. The following points are examined:

- Educational careers.
- Functional mobility.
- Geographical mobility.
Educational Careers

The majority of Spanish managers under 50 attended university or the *Politécnica*\(^{170}\), typically upon technical courses, such as engineering. Managers usually attended their nearest regional institution. Catalan managers, for example, typically attended universities based in Catalonia, although a few completed courses at the other great engineering *Politécnica*, in Madrid.

Managers working outside the region that they were born in had often immigrated to the nearest major university as students. Outside of Madrid, Catalonia and the Basque Country they were less likely to have undertaken engineering courses.

The majority of managers over 50 also had attended university courses before starting work, but there was also a significant minority of managers who started work within a company directly from school and worked their way up through the organisation.

Whether the managers had attended university or not before starting their career, almost all had undertaken either mature or post-graduate study at some time. In many cases managers had taken several courses at different business schools. In upper management it was not unusual to meet managers with post-graduate qualifications from all three major business schools in Spain. It was also relatively common to encounter trained engineers with diplomas or degrees in other management areas, most commonly human resource management or financial management. In relation to British managers the Spanish manager has had far greater contact with university and theoretical management courses. MBAs were common.

Functional Mobility

Managers expected to advance their career by moving between companies, and between management functions. The majority of managers had moved between or within companies every three to six years, typically every four. Engineers advanced into general management and often at this stage undertook post-graduate courses in management subjects or area specialisms (such as financial or human resource management) to augment their knowledge. This sideways functional mobility was seen as the key to advancement. Managers had little fear of moving between companies, and in many cases moved in and out of the state and private sectors, often working for family firms and multinationals.

\(^{170}\) The *politénicas* were formerly known as the 'engineers' colleges'.
In this way managers gained a broad-based experience and became managerial generalists.

Geographical Mobility
Managers born in one region typically remained in that region, unless, as we have noted, they studied outside of their native region. In these cases managers would often settle in the region where they had studied. Typically managers were unlikely to have worked in different regions, although the trend to do so is increasing. The chapter on ‘management mobility’ examines this issue in detail.

Mobility was lower than average in Catalonia. Managers originally from other regions working in Catalonia were more likely to move geographically than native Catalans, but were less likely to move than managers still working in other regions of Spain were. This is probably because once they had moved to Catalonia, the reasons that they had motivated them to move to Catalonia (more employment opportunities) acted as a reason not to leave, and once they became established they forged local relationships with the community.

Generalist
Career paths in Catalonia tend towards generalism, that is to say managers often work in areas, i.e. in departments or functions, for which were not originally trained to work in. Educational backgrounds are often inconsistent with the management function in which the individual manager works. Managers progress in their career by moving between functions as well as vertically within the function where they were trained, or to which they were initially recruited.

The prime reason for these patterns can be traced to the impact of the educational structure upon the social and educational formation of managers, and the next section restates how this process developed.

No Business in Education
As we have made clear in the chapter on education in Spain in general, there is an academic elitism in the educational system. In the regions with a long history of industrialisation, such as Catalonia, technical and engineering subjects have traditionally had higher status. Technical and science subjects are different in compared with Britain, where they trend to be thought of as ‘vocational’ (British
pragmatism). Spanish students following engineering and science based subjects found that the nature of these courses was often highly theoretical, “more like the French abstract system of thought than the Anglo-Saxon courses concerned with application” according to a trained engineer, company director and part-time university lecturer. However, he maintained that although these courses ignored management subjects – making management difficult for new managers – they gave a good grounding in logical thought that helped managers understand and use the information given to them in MBA and postgraduate courses. This experience also facilitated moves between managerial functions and disciplines. This may explain why many Spanish financial managers were originally engineers by first degree.

_The Status of Managers and Functions_

In some countries social perceptions of status and prestige are linked to certain professions, functions or industries (Lawrence, 1980). In Spain in general it can be accepted that the status of industry is low, except in Catalonia, Asturias and the Basque Country. In Madrid the status of state sector managers and the civil service has traditionally been high. One explanation why engineering is higher status in Catalonia, for example, was given by a Catalan management consultant, himself an engineer by training, who had worked throughout Spain in both the public and private sectors:

> Industry and engineers built Catalonia. The people know this here. In Madrid there is more status in the financial sectors and government.

Managers are aware and proud of their status, and this is especially true for managers of family owned firms, and ‘old generation’ managers from the INI. In family firms primarily, but also in state industry, the senior manager plays a prominent role on the public life of the town in which he lives. A German human resource manager explained that “some of these guys are the most important people in their _pueblo_ (town). Their status, and symbols of it, are very important to them.” It may be thought that the younger generation of Spanish managers, and managers from internationalised sectors display more evidence of egalitarianism (detailed in the chapter on the ‘human face’ of Spanish management), and do not seek to differentiate themselves as much by status.
With regard to the function of management (financial, production, personnel, etc) some countries display a prestige hierarchy. In the United Kingdom, for example, financial management is seen as being high status, whilst engineering is viewed as more blue collar. This is the opposite of Germany (Lawrence, 1980). In Spain in general, as we have said, engineering and financial management are both “thought of highly.” There is some differentiation between the perception of the value of certain functions, but more important than this is the commonly held personal belief of each manager of his own self worth. A production manager told me “we all believe in ourselves, as individuals and departments, to be the most important.” Because of the generalist nature of management in Spain, managers also move between functions to advance their careers. Thus one function does not hold more prestige than the others. In Spain there is not much differentiation of status between management functions: it seems that being a manager is enough.

Satisfaction and Motivation
What motivates managers in their work, and what satisfaction do they seek to gain from it? In short, why do managers want the pressure and responsibility that management work involves.

Motivation
Managers in general derived the most motivation from their personal sense of value to the company. “To be able to contribute, to be able to see my results” is the greatest motivation and satisfaction said one manager. Responsibility in itself was generally seen as an important motivation. Another popular answer, especially among managers trained as engineers was “the technical nature of the work”. Work in itself was important to managers. An operations manager told me “I love my work.” Another operations manager put it that he had “work under his skin.” Many managers explicitly said they money did motivate them greatly. An independent financial consultant told me that “I could, and did, earn much more for the international consultants. But I would rather have my independence than money.” Having said this, with the highest relative managerial pay in Europe171, pecuniary issues may be less pressing than in other countries.

171 In the sense that relative wages at middle management and higher are above the European average in comparison to the cost of living.
Satisfaction

Because of the personal bias to motivational criteria in management, the satisfaction derived by managers is closely related to the above responses. Among the most commonly cited satisfiers were:

- Personal autonomy.
- The personal contribution possible.
- A sense of achievement.
- The technical nature of the work.
- The chance for learning new functions.
- Independence.
- Recognition by peers and superiors.

I get satisfaction by recognition in my job. Firstly the recognition from the company president, company people and my colleagues that I am good at it. It is important that my subordinates know I do it well. Secondly there is recognition of my job in the social sense – it is a very good (senior) job and people know this and respect me. To be seen as capable – this is the most important thing a person could be.

Managers often equated their performance at work with their self-perception and valuation as individuals. In broad terms they seldom separated their personal life from their work life, they are “present with the whole self” (Galtrey, Lessem and Altman, 1996) at work. In this way managers placed such high priority upon the satisfaction gained in work by their personal contribution, and upon opportunities to learn new tasks and self-improvement. In the words of a German Manager working in Spain “they (the Spanish) have a thirst for learning”, and this is reflected through the diverse number of management functions undertaken and the range of post-graduate courses attended.
As far as regional differences were noticeable, the most prominent difference was that Catalan managers were much more likely to cite the technical nature of work as a motivation than other Spaniards. This is probably because of the greater number and higher status of engineers in the region.

**Do Managers Represent a Specific Social Group?**

From the evidence of this study, it could be argued that managers do form a social group, although they are not necessarily drawn from one. That is to say, whilst many managers could be said to be from a privileged 'middle-class' background, there was a wealth of difference in their personal backgrounds that precludes categorising them as representing a simple social economic group. Many managers, senior as well as middle management, came from families who emigrated to urban regions in the 1960s relatively poor, or were themselves originally from other regions. Some managers in family firms were, so to speak, born to senior management functions, whilst in the same firms equally senior managers may have started from the shop floor. One aspect of systems of promotion based on seniority and internal promotion that characterised state industry and much private Spanish business in the 1970s and 1980s is that some senior managers were able to ascend into these positions from the shop floor due to the predominance of internal promotion. The sample included several senior managers who had started from the ranks, although they thought their experiences were exceptional, and they themselves thought that advancement by this avenue was now impossible.

In general whilst the majority of managers were from 'middle-class' backgrounds, it is equally true to say that they are mostly from 'good families'. By this we mean that their family and personal backgrounds mean that they share values with other managers, largely from the higher economic or social groups. Value congruence has also been strengthened by educational paths through institutions such as national service and business school programmes. Because of this, the perpetuation of certain value systems mainly through the selection procedure, and the homogenising experience of common career paths, managers in general form a social group in their own right.
Portraits of a Manager

In regard to the issues explored above it could be suggested that there is a real commonality in Spanish management, across industrial sectors and management functions. Central to this is the perpetuation of the prioritisation of certain personal qualities in management. This process is perpetuated through personnel selection, and the role of the leader, which we will examine in detail the chapter on authority, status and hierarchy.

During the 1970s and 1980s the career path of many managers in state sector companies, and some Spanish private businesses, would have been one of slow internal promotion by seniority, with little mobility outside of their function (not that this function would necessarily be that in which they were formally trained). This career path has changed. Although many managers who experienced this progression may still be working in companies, most have left either through retirement (early or not), or been victims to the massive downsizing of Spanish businesses during the 1990s. In companies where this career path was the norm, it is no longer so, with junior managers from business schools on fast track promotion and senior managers being appointed to organisations to initiate change. In the large number of MNCs that located in Spain from the mid-1980s by acquisition, joint venture or start-up, this career path was never typical.

Today there is a typical career path structure for Spanish managers that is different to that outlined in the previous paragraph - a picture that is often still depicted in the literature. In summation, the typical Spanish manager would be of a generalist who would:

- Be university educated.
- Hold a post-graduate qualification in a specialism other than his original area of study.
- Have advanced his career by changing companies every four years or so.
- Have moved between management functions, typically from technical and production management into administration or general management.
- Have remained principally within his native region, or that in which he studied.
CHAPTER NINE: AUTHORITY, STATUS AND HIERARCHY

In this section we examine the basis for management authority, how authority is exercised and transmitted, and how the organisational hierarchy operates in Spanish business organisations. We shall examine:

- The basis of management authority in Spanish society and in the workplace.
- The role and form of status differentiation in Spanish companies.
- The development of hierarchies in Spanish industry.
- How hierarchies operate in modern Spanish companies.
- The difference between authority and power.
- The role of the selection procedure in forming the basis of authority.
- The significance of flexible job descriptions.
- The role of the leader in shaping and transmitting working culture.
- Differences in hierarchies and authority relationships between industrial sectors and Spanish regions.
- Summary: the impact of authority relationships and hierarchy upon the management environment.

The traditional view of hierarchy and authority in Spanish companies is described effectively by Boisot (1993), and can be summarised as follows: Spanish companies are power orientated, with the development of the organisation resembling a traditional paternal family. Contact between people is informal, as there are few formal channels for communication except vertically through the hierarchy, and often by extracurricular means. Spanish notions of authority and hierarchy are very well developed. The hierarchy is reinforced by social roles, as seniority (in age, social status) is the key to personal authority, and the key to administrative authority resides in a role afforded status by society. Discipline is ineffective because of the nature of the personal relationships, as it is linked with personal not business connotations. Individual competition outweighs collective effort to better overall performance.

172 Fons Trompenaars (1993) contends that in Latin cultures “Status is more likely to be legitimised by ascription based on durable characteristics such as age, class, gender, ethnicity and professional qualification.” p.117
Managers do not consult subordinates as this is not seen as appropriate, and advice is sought grudgingly. Communication within such vertical hierarchies only descends the chain of command and feedback is lost.

This picture was not based upon any first-hand empirical evidence\textsuperscript{173}, and much empirical evidence supporting this conception of management in Spain is based upon research conducted in the 1970s and early 1980s. This study has found that although some of the social tendencies described above are still discernible, the character of authority and status in Spanish business had changed considerably during the 1990s. In this chapter we shall characterise status, authority and hierarchy in Spanish business in the late 1990s.

\textit{The Basis for Management Authority}

Managers in Spain have often suffered from low levels of social legitimacy\textsuperscript{174} (Echevarría, 1986). There are many inter-related reasons to account for this: Spain’s history of adversarial labour relations, the radical traditions of anarchism, communism and socialism that either rejected authority, or had taken concepts of class war into the workplace, and the strong individualism of the Spanish. This is most apparent in traditional heavy industries, typically those brought under the control of the state sector under Franco, such as steel production. A more insidious problem that undermines management authority has been some residual dogma of the traditional Catholic Church. Historically the Church has questioned the legitimacy of commercial activity. Tortella Casares (1996) holds that these attitudes have long held back Spanish business development. He cites a major factor as being:

La tradicional desconfianza católica hacia el capitalismo (leyes contra la usura, elogio de la pobreza, recelo hacia la competencia, el materialismo y las actitudes racionales).\textsuperscript{175}

The traditional Catholic distrust toward capitalism (laws against usury, the praise of poverty, misgivings concerning competition, materialism and rational attitudes).

\textsuperscript{173} From correspondence with the author, Max Boisot, 1995.
\textsuperscript{174} One survey conducted by Echevarría found that only 16\% of respondents accepted that managers had a legitimate role.
In seeming contradiction to this, the aristocratic and catholic authoritarian traditions have also determined that many positions of authority are inherently respected. Hofstede’s power distance and uncertainty avoidance figures, shown in Table 1, indicate the Spanish inclination for clear authority. The larger the figure for power distance, the stronger the acceptances of differences in power. The higher the index for uncertainty avoidance indicates a stronger need to avoid ambiguity.

<table>
<thead>
<tr>
<th>Country/Area</th>
<th>Power Distance</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>57</td>
<td>86</td>
</tr>
<tr>
<td>‘Latin’ Europe</td>
<td>54</td>
<td>88</td>
</tr>
<tr>
<td>USA</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>‘Northern’ Europe</td>
<td>32</td>
<td>35</td>
</tr>
</tbody>
</table>

Table 1 - Hofstede's power distance and uncertainty avoidance figures

Authority figures are often implicitly deferred to and respected by many Spaniards. This is as much a feature of Spanish social life as is the rejection of authority by radicals. A typical case is the social position of an owner of a family run firm. The patron gains authority not so much because he is a manager, but because he is the owner, and as a wealthy man a socially important man. Senior managers are often “the most important people in their peublos”, according to one human resource manager I interviewed.

A bridge between the opposing factors working for and against legitimating the authority of management positions is education. Educational achievement is very highly regarded in Spain (Hooper, 1986), and managers can often gain respect and authority through acceptance of their academic and professional qualifications: from their peers as well as from their workers. Despite this, in general managers in Spain are not necessarily able to exercise the authority congruent with position without legitimising their authority through other channels. A recurrent theme throughout this chapter is the issue of how managers gain authority and legitimise themselves in the work place. This is addressed specifically in the sections on ‘another hierarchy’, ‘authority not power’ and ‘authority of the person’.

Tortella, Gabriel “La Iniciativa Empresarial, Factor Escaso en la España Contemporanea” La Empresa en la Historia de España Editorial Civitas, Madrid 1996 pp.49-60
Status Symbols

A hierarchy differentiates between individuals in terms of power inequalities. The importance given to this differentiation varies according to countries, and between individuals. In countries such as Denmark (Lauring, 1986) and Sweden (Lawrence, 1982), where a collective and socialist orientation permeates society, managers try to play down the difference between ranks, and to avoid ostentatious displays that reinforce them. In countries such as France (Barsoux, 1988), and Spain with its long aristocratic tradition, these differences can be used to add to the social standing and prestige of individuals. In Spain, the interplay between status and position, and the way in which the managers attach importance to their status, is fairly complex.

Firstly, as well as the long aristocratic tradition, which we have examined in the opening chapters, Spain also is home to a radical tradition: communism and socialism being long established on the political landscape. This means that authority is viewed, exercised and accepted by different classes and regions in Spain in differing ways. The contrast to this would be Japan (Trapp, 1995), where the foundations of authority are recognised and adhered to by a nation-wide social consensus. As we have shown in the chapter on unions, Spain has a history of conflict in the workplace, and management legitimacy has often been questioned.

The findings of this study, focussing upon managers' beliefs and attitudes, suggest that:

- Managers in sectors traditionally dominated by the upper classes, such as politics, banking and finance, attach the most importance to status and rank.
- Managers in areas with a history of radicalism and anti-authoritarianism (especially anti-centralist feeling) attach less importance to displaying status differences, and may even try to play them down.
- Managers in state sector industry before privatisation were more status conscious, especially because of their military links and tradition (see the earlier chapter on the INI).
- Managers in family owned firms are generally more conscious of status.
- Workers may not respect status, and in some industries and in some geographic areas, may actively resent it.
Communication between individuals of different rank is complicated when hierarchical levels are entwined in the social consciousness with differences in social status. Managers are aware of the high context situation that dictates the form of interaction between individuals of different rank, and this manifests itself in protocol and ritual. Deference and formalistic forms of address are two of the most obvious ways in which subordinates acknowledge social differences at work.

Status differences can also play a positive role that must be balanced against any negative affects. “In the company context we may also say that formal status is organisationally useful in that it indicates the nature of powers, responsibilities and functions. Similarly, status may be significant in that it authenticates communications for recipients and establishes priorities in execution. Status may aid the development of authority and responsibility; the enjoyment of high status, for example, may induce a sense of responsibility.” Status may also be what motivates the best people to decide to aim for the top jobs.

On the negative side, from a business perspective, clear communication may be hindered and authority become confused, rather than strengthened, because of these differences. In one example, the managing director of a Basque company (which was involved in a joint venture with a German company) came from a high class Madrileño family, had been of high military rank, and expected both a strong hierarchy and the social deference of his staff. He remained aloof in his office, and subordinates complained that it was difficult to contact him, and that communication was all one way. The manager socialised with his staff, but gave the lead and expected them to follow his example. Far from using informal contact with his staff to break down barriers, he used social forays as a way to reinforce his superior status. The company experienced problems in co-ordinating their new activity because authority resided solely with the managing director and his staff had little idea of his plans. Managers found their own authority was undermined. Orders were passed down through the hierarchy, but when they were not fully understood implementation suffered, as there was no feedback and control.

In summary status differences have changed considerably in Spanish industry during the last decade. Formerly long hierarchies were divided into rigidly defined and status

176 Lawrence, Peter and Blake, John The abc of Management Cassell, London 1989 p.117
bound levels, and this was especially pronounced in the state sector and family firms. Status was seen as important to manager's social standing, status in many cases hindered communication between managers of differing ranks, and in areas with a history of worker radicalism also proved an obstacle for industrial relations. Status was important in motivating high flyers. With the change in organisational structures due to downsizing and consolidation, a further emphasis in society for democracy and social equality, and the demise in importance of the state sector, status is playing a less significant role within Spanish management. In regard to worker relations however, management status is still important; either as a legitimising factor or in some still existent cases, a point of contention.

Forms of Address
One measure of the democratisation of inter-personal relations in Spain is the relaxation of formal address and titles between people. Work titles are examined further on in this section. In regard to business correspondence the last ten years has seen flowery forms of address and verbose standard salutations reduced. For example, a typical salutation was:

    Muy Señor mío,  
    (Very dear Sir)

However, this is now considered a little “old-fashioned” and the salutation “señor” deemed appropriate for most business usage.

In terms of address, the Spanish Castilian language (and the other Spanish regional languages such as Catalan) provide for formal and informal modes of address. The use of usted, the formal address form, was rigorously observed in Spain before democratisation and is still important in social relations and polite relations with unknown individuals. However, it is more common these days that people address each other by the familiar, informal address form, tu, when working together, or as social or age peers. In the sectors we are examining it is now commonplace for managers to use the familiar form between each other, and where the formal address system is used it is because of the individual rarely because of their relation in the hierarchy. There are exceptions to this, for example within family owned firms the family members are more often formally addressed, and in all sectors and industries
the very top levels of management are addressed formally. A human resource manager for a large financial institution (where formality and status differences are traditionally marked throughout Europe\textsuperscript{177}) explained to me how the formal address was used in the company management team:

We call the head of department \textit{tu}, but the head of the purchasing department \textit{usted} (formal address form). He’s slightly less approachable; it’s a question of personality not rank.

A human resource manager interviewed at another company elaborated upon the theme:

It is not normal for us to use \textit{usted}, but it depends on the age, the rank and on the person. For example, everyone uses \textit{usted} with the managing director, but \textit{tu} with most subdirectors. I use \textit{tu} to this one, and \textit{usted} with this one. Although we are the same age and rank but I know him less well. Another sub-director here everyone calls \textit{usted} - it depends on the person’s own choice.

A prominent exception to this growing democracy concerns the workers. At every company interviewed during the research for this thesis, workers were expected to use deferential speech to management. A logistics manager interviewed, who had told me how everyone at the company were very informal ("of course we use informal speech"), was shocked when I asked if this included the shop floor team and workers. "No, they are respectful to us, you have to have some respect."

A Rose by Many Names
As discussed in the introductory chapters, before the 1990s Spanish companies were often typified as having steep hierarchies. One result of that was the plethora of job titles for each rank, each having important status connotations. In some companies, especially family owned firms as we shall see in the later section, managers adopted

\textsuperscript{177} For example, relations between managers in the financial sector have more often been based upon civil service practice and expectations (A good report upon the issues is Lawrence, Through a Glass Darkly, 1986)
job titles for reasons of prestige, and these titles did little to help clear communication and define positions of responsibility.

One prominent Spanish multinational with a history of long hierarchies decided to try to sweep away the old hierarchy system to facilitate open communication and cooperation. The human resource manager at the company explained how status differences were, theoretically, done away with:

Everyone now just has the title manager, but they can give themselves any other title if that will help business relations. For example, in Madrid a manager dealing with the dealer network calls himself a gerente because this is expected of him, but we are all officially manager. We chose this term, which is an English not a Spanish term, because it has no history here and we have a history of many hierarchical levels and posts and we were very conscious of status differences. When we flattened the hierarchy we could not call someone that had been a director a gerente because this would seem like demotion to them. They had so many different terms - it was madness. These titles caused problems, as they were so important to a manager’s social standing.

There is some limited evidence, to be addressed further in the section on women in management (chapter fifteen), that job titles and descriptions may still be used politically within companies to give, or restrict, status and influence. During the several interviews with female managers some complained that they were given the title of a lower rank than their actual function required — and that male managers had held previously.

Whilst there has been a reduction of job titles in many Spanish companies through downsizing, they still play an important role for manager’s social esteem. Business cards are given with the assumption that the recipient will study the card carefully, making full note of the rank of the card bearer. Cards are given as part of a status reinforcing protocol. A further example of the social importance of titles can be inferred from the comments of a Madrid based Spanish management academic interviewed during the research:
I have my full title – *profesor titular* – on my letterbox. This way all the people in the apartment block know my standing, and they give me respect.

Cars and Trophies
The Spanish are one of the most consumerist European nations (Burns, 1993; Hooper, 1986), and 'conspicuous consumption' is much in evidence. The daily institution of the *paseo*, the evening stroll down the main town boulevards (which are not coincidentally often named ‘*paseos*’), in which all Spanish classes often indulge, is an opportunity for all to show off. Embedded social expectations and priorities are carried over into management.

Managers to whom rank and social status are important display their assumed superiority to their peers and subordinates not only through their behaviour, but through possession of totemic material items, items which say “prestige” or proclaim that the manager in question has “made it.” Whilst Spain doesn’t suffer from ‘car badge hierarchies’ as British management does, status symbols are still very important. One interview conducted as part of the research showed this where a multinational had downsized and cut manager’s fringe benefits, many of which are just the social differentiators that we have been discussing. The human resource manager in question commented that:

Managers came to me saying “please don’t punish me by reducing my rights”, such as their perks. For example, before they were allowed to have two cars, one free, one with a slight payment as second car for the wife. It was just a symbol. They say “I will pay twice or three times the amount to keep the car”, just so others can’t see their status change.

A German researcher with an interest in Spanish companies and a degree from a Spanish university told me unequivocally that “the Spanish are so status conscious that it is very important to conform to their expectations. You’ll never get an interview without a really expensive suit. Without the right ‘look’ you won’t be able to get anywhere.” Both Spaniards and British researchers also passed on to me this sentiment, concerning the importance of perceived status to Spaniards. Similar ideas were put forward to me by Catalans regarding the *Madrileños* (natives of Madrid),
private sector employers regarding their state sector counterparts, and Andalucians regarding Catalans, to name but a few. What I found interesting was that the assumption was almost universally held and yet I saw no direct evidence of it. Indeed, in some cases the Spanish are renowned for accepting people ‘for themselves’, and as ‘each man is his own king’ many Spaniards have an innate dignity that allows them to accept people different from themselves. Whether image is vital to status and acceptance is one issue, but beyond contention is that in the popular mind, image and status are indeed firmly linked.

Social Relations
In the Workplace
In the 1980s generally, and within the INI group companies in particular, hierarchy and status affected workplace social relationships. INI managers were, as we remember, largely political appointments imposed upon the group’s holding companies. Managers appointed by, and living in, Madrid often had little interest in the small provincial companies they were presiding over. They were also status conscious, as their typical (military) backgrounds would suggest. Companies brought within INI’s sphere of influence often were allowed to keep their operational management team, with the INI installing the alta dirección (senior management). Relations between the higher and general management could be problematic. A production manager for a porcelain company that was previously within the INI remembered the attitude of the higher management:

The senior managers would come from Madrid a few days of the week, but always return to Madrid for the weekend. They considered themselves above us, and communication was very poor.

This attitude still exists in companies, especially where the INI legacy is strong, and where managers from the INI period are still in place. To a significant extent however, the rapid change in organisational structures and ownership and the retirement of many INI era managers in Spanish industry has led to a substantial change in personal work relations. Many managers feel that a new spirit of workplace democracy has emerged, and that managers feel more at ease with each other and the general atmosphere is ‘friendly’. "Office relations are easy, we chat about things together,"
A senior manager with experience in America, Germany and Catalonia found that in American companies people of unequal status and rank treated each other equally, in terms of title and access, but:

Although relationships seem very democratic, behind this it is highly hierarchical. People’s importance depends on their rank. We are more informal in accepting people as themselves.

Spanish managers with international experience often feel that workplace socialisation and interaction in Spain is significantly different in tone from that in other western countries. The idea that there may be a specific ‘human face to management’ in Spain is addressed in the later chapter entitled ‘the human face of management’ (chapter thirteen). It would be fair to say that in relation to the general democratisation of society, there has been a freeing up of social relations at work.

Out of the Office
In general, managers in the UK and the US tend to socialise informally out of work within their own peer and work group. Typically they socialise formally with the higher ranks in order to network and make favourable impressions. In German companies, whole departments may often socialise in groups, but the work hierarchy is carried over into the social area. A Spanish research and development manager who had been educated and trained in Germany but had worked both in Germany and Spain said incredulously “we don’t have this ordered socialisation. It seems strange to us to spend your time out of work with those in work.” Spanish managers seem to socialise with their work partners more rarely, and their social network is not based particularly upon their work network. We shall see the reasons for this in the later section on networks.

Easy to contact
From my personal perspective as a research student, there is an interesting aspect to authority and status in Spanish companies, and that is the ease with which important
managers can be contacted. I found it relatively, and some times extremely easy to contact very senior managers directly. In British companies the secretarial gate is a very effective way of enforcing hierarchy and removing the manager not only from time-consuming enquiries, but also from direct communication with subordinates. This 'ivory tower' syndrome is much less evident in Spanish companies, and I would infer from this the following:

- Senior Spanish managers are speaking realistically when they boast that their juniors and peers are able to contact them spontaneously.
- That office democracy is as real as they would have the researcher, and themselves, believe.
- That the Spanish in general, across class groups and hierarchical levels, tend to view people primarily as individuals.

Another factor to bear in mind, however, is that unlike many northern European companies and offices, Spanish companies in general have not been 'over-surveyed'. Managers are often patriotic about their region and Spanish people (if not Spain) are keen to participate in a research project. But I feel that this does not detract from the above points, as many of the major Spanish companies that participated in this project have also been examined by Spain's own major business schools (see chapter on education), albeit not for a project such as this one.

A final point to confirm the idea of Spaniards self belief (that in some way over-rides status differences) is that when the researcher contacted managers (from over 75 companies) to participate in the project, only one manager decided to consult another manager (or the formal organisation) before agreeing or declining. And in the same company another manager cheerfully accepted without this recourse. This is worth bearing in mind throughout the sections on hierarchy and in the later section on the 'anti-bureaucratic' tendency of contemporary Spanish managers.

**Hierarchy**

So far we have examined the social basis of management authority. In the last section we examined what status, conferred by formal hierarchical position, social class and background, means to managers, and how this may affect communication within a
hierarchy. Throughout we have made implicit references to organisational structures and hierarchies without explicitly describing their form and formal function in Spanish organisations. In this section then we will:

- Outline what the hierarchies are.
- Restate and depict the typical hierarchy structure in the following sectors in Spain:
  - Family firms.
  - Co-operatives.
  - The state sector.

The following section will then describe the rapid transformation of these organisations during the last decade.

Pyramid Building: Hierarchies

In a business context a hierarchy is a formal system of persons arranged in a graded order to co-ordinate and control. The organisational chart of a company shows the formal authority hierarchy within an organisation. The vertical and horizontal links between posts on the chart show the up-down paths of communication. The higher the hierarchical level, theoretically, then the more authority and status the position holds, and by inference, the position holder.

How hierarchies are organised is not necessarily defined by any given set of rules, but by the industrial sector or country: "there is nothing absolute about hierarchies, in that hierarchies differ in length and importance." Companies may be influenced to organise their hierarchies by the organisational history and tradition of the company or sector, current business practice or theory, or because of changes in corporate governance. One factor that may determine the form of this organisation and modify the above points is national culture. As we have seen earlier in the present chapter, Hofstede (Hofstede, 1980; 1990) found that there is large power distance in Spain, and that Spaniards have a low tolerance of ambiguity. From this reading it can be inferred that hierarchies in Spain would be long and strong, with authority centralised at the

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178 *Ibid.* Lawrence, Peter and Blake, p.60
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top. This has been the traditional view of management structures in Spain. Boisot maintains that:

Horizontal collaboration requires individuals to acknowledge an authority that resides in the nature of the task itself and that dictates the need for interpersonal co-ordination. Authority in Spanish society, however, is perceived as residing in persons who are hierarchically ordered and who often have to forcefully impose themselves to establish their legitimacy.¹⁷⁹

There is also documentary evidence that this has been the case in Spanish companies. In a case study, the managing director of a successful Spanish company, describes how the organisation functioned before a recent restructuring:

There was a steep organisation structure with a large gap between top management, middle management, and the workers. Along with traditional ways of authority this was thought to be as it 'should' be. The workers were told by management what to do and complied with orders as well as they could. However, there were very few ways of communicating 'upwards' or 'sideways' in the organisation. The product managers for example, had little or no contact with each other, neither did they have much contact with other areas of the organisation such as production or purchasing.¹⁸⁰

During the research for this project, one of the most recurrent statements heard from managers across Spanish industry was how hierarchy was very rigid, with large pyramids and long spans of control, poor communication between managers in different departments and of differing statuses. Almost invariably the 'was' preceded a description of the sweeping organisational changes experienced during the 1990s. Before we move on to examine these changes in the next section, a more detailed account of typical hierarchies in different companies may be helpful. Three sectors are

¹⁷⁹ Boisot (1993) p.222
¹⁸⁰ Sveen, Jannicke, Tipografica Fundiciones Reunidas S.A. IESE 1991, case no. 0-392-027-DG-976-E p.8
highlighted, each with an important and distinctive character in the Spanish industrial economy:

- Family firms.
- Co-operatives.
- State sector firms.

Family Firms

The authority structure in family firms usually resides in family members. Family members are often elevated to responsible positions, rather than those positions being filled by the best candidate. An implicit strategic aim of these companies is to keep control within the family, and to provide the family members with secure employment. As outlined in the introductory chapter on the Spanish economy, family owned businesses are important in Spain. Some of Spain's most successful export orientated companies are family owned. Increasing competition and the professionalisation of management have made it harder for families to keep authority in the family, and use the hierarchy as a way of keeping control. Despite this most owning families still try to keep direct control. A 105-year-old company visited during the conduct of this study, one of the world leaders in its sector, is now managed equally by three brothers. One of the brothers explained to me how his father, the former managing director, tackled the problem of keeping the family in control:

My father realised that we would need business skills and professional managers to carry on being successful. I have a postgraduate financial management qualification and my other bothers have MBAs, as well as experience within the company. But only family, including our father (who has officially retired) can make any important decisions.

This company has now made the difficult transition from a family company, where the family has authority, to a professionally managed company, where managers have authority, keeping the family in control. However, many case studies reveal that this is not necessarily typical. In a Spanish case study the managing director of family owned company tells of typical problems:
One thing to bear in mind is that there can only be one boss in the company. I experienced this with my brother, Jorge. He wanted to keep us all (family members) in management positions. It ended in a power fight.¹⁸¹

A summation of the problems in a family managed company was given to me by a production manager with experience in family owned companies as well as at the multinational where I interviewed him:

Family management was not always professional. The boss is so important, to get on you had to know him personally. The importance of hierarchical levels was very important: the people at level three in the hierarchy could never talk to those at level one – or the gerente. Authority is very confused as the jobs people undertake are removed from the post or their job description. Everyone has multiple titles, and many of these titles are false as they value names a lot; managers like to give business cards with impressive titles. The authority has more to do with providing family members with social recognition.

In summary, it can be concluded that management authority in family companies resides in family members. In some cases this may cause conflicts with other managers, and create confusion and hamper clear communication. Despite this, Spain has many very high profile, successful wholly family owned companies. These companies typically have modern professional management, but have trained family members (or brought people into the family through marriage) who are management professionals. In this way the needs of a functioning hierarchy and family authority are both satisfied.

Co-operatives

Spain has a long history of worker co-operatives, especially in the Basque country and in Catalunya. The famous Mondragon network of co-operatives are one of the Basque

regions largest employers, although the majority of co-operatives are small in size. In the co-operative managerial environment, the nature of management authority is different from that in privately or publicly owned companies. Collectivism is inherently receptive to social and workplace democracy, and this reflects the organisational structure and decision making process within the companies. A case study upon the Mondragon co-operative conducted by IESE outlined some of the problems that the ambiguities of co-operative management can produce:

There are also some problems of legitimate power to evaluate or punish. As it is very difficult to impose your ideas upon a person who is also a partner, the management style is very participative and by objectives. You can also find different perceptions about who is doing the decision making process. It is not sufficiently clear and therefore it is difficult to either find heroes or scapegoats in its culture.182

State Sector Firms
Much of the understanding and assumptions about Spanish industry has been informed by experience of state sector companies. This is no surprise, seeing as the state holding companies, typified by the INI, dominated the Spanish business environment for so long. Every sector felt the presence of state managers, and the private company's management was also profoundly influenced by INI management through business contact and also because many INI managers moved into the private sector, bringing their experience with them.
To examine how authority was exercised and hierarchy ordered in state owned companies, and to see whether the situation stands, we shall examine one specific company that participated in the research project. The information given to me by the managers in the company was completely in accord with the testimonies that I received from managers in other large state sector companies. A human resource training and development manager and the regional director of operations and maintenance gave the following comments during my (1997) interviews with them.

Authority and hierarchy:

182 Chinchilla, Ma Niria and Miller, Paddy Mondragon Cooperatives, IESE 1988, case no. 0-489-002 FH-325-E p.9
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Eight to ten years ago the hierarchy was very strong. We had vertical communication only. We were rigidly departmentalised and it was very difficult to collaborate with other managers, as every department was independent from the others. There were no interrelations. It used to be a culture where there was no initiative and no creativity. Orders just went down the hierarchy, and this was authoritarian and slow. It led to incomplete information and no feedback. People kept information to themselves and we lost quality. We were a monopoly. There was no urgency.

But now there is competition, international competition, and there has been rapid change. There has been a collapse of hierarchical levels, from 30 previously to four now. This change in structure has gone hand in hand with the development of teams and delegation. Now it is much easier to take decisions, there is less resistance because there are less hierarchical levels and clearer orders.

In those days the departmental head kept all the power to himself. Communication was stifled. He kept all the training manuals locked in his desk, and kept the key on him. In this way only he had access to important information that we needed to progress.

Communication and change:

Now there has also been a very important development in technical resources: information technology and e-mail. All decisions taken by the management of company are now shown on e-mail 30 minutes after the top management takes them. This is rapid and direct communication. Previously communications were through people. Now everyone has this information directly, immediately: there are no information brokers. It is a different mentality – even after the 6 months that we have had the e-mail system.
We were founded in 1924, and it is difficult to change the old bureaucratic mentality in 6 months. It is very hard to break values – established values. Before there were always people who were dynamic anyway, but they were frustrated or hindered by the system. Now they can realise their potential. Secondly it is easier because of the de-scaling. We are currently still downsizing, from 60,000 to 45,000 people.

I am in a very good position to see change – and there has been a lot. And it is not a question of the age of the managers, but of their mentality. There are very few young managers in the company. Most are 45 to 55 years old. Internal promotion means old managers, and that the old mentality still remains. In this department there are 2 managers in their 30s, but they don’t tell anyone their age. They have removed their ages from documentation, such as CVs, because of prejudice against them as young managers. There is a new committee to try to help us break away from this. All the committee members came in from the outside. So relations with the other companies (that are part of the parent company) has become easier now because of the exchange of personnel.

There are two management styles practised here: the Jurassic and the dynamic, and there is some shock between them. We have been a company for over 70 years and we employ many people, so change is slow and values are ingrained. I have some conflict with the boss for example – to keep a client I am willing to act fast and be flexible, then to sort out all the problems later. My boss still prefers to do things by the book. We have different styles.

In summation it can be seen that hierarchies have been rigid. Status was dependent upon hierarchical position, position for which political tactics were as important in controlling as the business needs of the company. Authority was accrued and legitimised by long service. It is not possible to talk about the hierarchy and authority structure within the majority of state sector companies without talking about change. Change has been rapid and is currently continuing apace. The next section explains the nature, cause and effects of this change. At this point in time the formal hierarchy in state sector companies more resembles those of private companies in the
comparable sectors. Authority is now also more dependent upon formal position, and promotion more performance driven, although this is relative to the situation previously.

Change in Authority Relations

So far we have been seen how hierarchy and authority have been organised in Spanish companies. The traditional view that long hierarchies and poor communication existed appears to be substantiated. However there have been economic factors that have produced rapid changes during the 1990s. The main reasons for change have been:

- The privatisation of many state sector companies: Telefónica (1997), and the steel producer Corporación Siderúrgica (CSI, 1998) being two recent examples. These companies have been downsized and turned around in response to international competition.
- The international business environment: direct competition with multinationals in Spain and competitors on the world market have made many Spanish companies reorganise.
- Acquisition by a multinational is often followed the MNC restructuring the acquired company along the lines of the parent company.
- Spanish managers have been influenced by the business organisation theory that they come into contact with on their postgraduate management courses.
- Information technology has changed internal communication within many companies, allowing information to be distributed instantly to all managers.

Change is continuing apace. Two companies where I interviewed during 1995 and 1996 have since been privatised. Other companies I visited were changing in order to move towards privatisation, and the majority of all companies I visited had implemented an organisational restructure within the last four years. Some of the most recurrent comments from managers across sectors and industry, regarding hierarchy, were the following: “we are changing”, “we are in the process of change” and “we are trying to break the old culture and move towards a more open, less hierarchical organisational system.” Spanish managers, with their educational awareness (see chapter on education) of contemporary business issues are very sensitive that there is
still the need for more change, and more profound change. However, amazingly rapid progress and change has been implemented during the 1990s. Reductions in the number of hierarchical levels, from 40 levels to four in one large participating company, illustrate the change in organisational structure, and is a typical case.

A Visible Change
The change in company hierarchies and authority relations, and implicitly a change in the ‘power distance’ between people (in Hofstede’s terminology) can be seen in the physical organisation and location of managers, departments and in office layout.

Long Corridors, Long Spans of Control
Many companies previously had a physical separation of managers and staff by locating managers in enclosed offices, whereby access to them was further restricted by ‘the secretarial gate’. The distance between managers in different departments could be large, and often central functions would be located far from production departments. In this environment meetings between managers had to be planned and co-ordinated, and information had to pass through several stages to pass from the sender to receiver. Without the direct access that modern e-mail based communication channels offer, this formal communication had to be paper based and entailed a bureaucracy to maintain and operate it. Many Spanish managers partially attribute the funcionalismo attitude, which we discussed in earlier chapters, to the necessities of operating within this organisational system. Senior managers had larger offices in due accord with the status afforded their rank, and thus this physical symbol sent a direct message to subordinates and reinforced the work hierarchy.

Open Plan, Open Communication
The changes in company organisation discussed in the previous section usually go further than just changing the organisation chart. The majority of companies also change the physical location of their management. In a large Spanish company in the automotive sector the head office had previously been located in a building within the main plant’s grounds. Despite this, managers had personal offices and there was little contact between departments. An organisational restructure changed the hierarchical levels by reducing them from eight to three, and management numbers reduced substantially. The plant manager described the communication within the
management team in the factory, which included all production orientated departments, and their relationship with the central departments located at another site some 40 km away:

Relations with people in the company here are good. But with the other departments outside of this site this is not so easy. Maybe it is to do with the geography, it’s not easy to find people in the company outside of this plant, and the relationship we have with them is more formal. Here you can see everyone, physically see them from this office. But I still don’t like being the only managers with an enclosed office.

The manager speaking above sets out quite clearly the change in communication made possible by reorganisation. In the next section we shall examine some of the communication problems that can hinder the effective operation of management in Spanish companies.

Problems of Communication
In this section we will explore some of the shortcomings in communication that Spanish companies have suffered, and assess the extent to which they suffer in light of the reorganisations detailed previously. The major problems of excessive bureaucratisation and politicisation at work, which we have seen in various examples in this chapter, are summarised in a Spanish business case:

Managers had built fortresses and were not keen to work together on the same team. They kept telling top management what it wanted to hear. No one wanted to make mistakes and therefore no important decisions were taken.\(^{183}\)

Management accountability and responsibility suffered. The rigid separation of functions and departments is termed the *sistema chimenea* (the chimney system) by Spanish managers. Departments thought themselves in competition with other departments, rather than as serving the overall aims of the company. We have

detailed how many companies have changed from the *sistema chimenea*, but organisational restructure does not automatically entail culture change. A departmental head commented to the researcher that the mentality of the old hierarchical structure can be carried over into newer organisational structures:

Many of our managers have rigid habits - before we de-scaled there were four different tasks and four managers, one for each. Managers could control everything personally, but now there are four tasks and one manager in the middle and they cannot possibly manage in the same way as before, but they are used to knowing everything, making every decision and controlling everything. But they cannot carry on managing this way in the new structure. It is very hard to make them delegate their responsibility.

In general Spanish managers accept that cultural change has been much slower than organisational change. Yet they maintain that overall, change has been profound and significant, even if it has proceeded *poco a poco* (little by little). A final issue, which we will address in the section upon 'authority not power', is that the reduction in hierarchical levels has dictated more use of informal communication channels. Managers' personalities can affect how effective this communication can be. Elitism and social status can still cause problems in management. This is illustrated well in a case study undertaken by INSEAD. In the company concerned the managing director, a member of the elite Opus Dei (see chapter on society) movement kept authority to himself, and used his social status rather than explanation to govern his managers.

Although he gave reasons for all his decisions, his managers were rarely able to readily comprehend his motives...his word was doctrine, but he never used his authority to enforce it. He didn't need to. His managers had so much confidence in his judgement and his vision that they knew their best alternative was not to question but to “follow and everything will work out for the best.”

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184 Johnson, Christina *Should Banco Popular be Canonised?* INSEAD-EUROFORUM 1991, case no. 394-039-1
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Everything didn’t work out for the best. In fact the company experienced crippling problems.

A Two-Way Process
In the above section we were chiefly concerned with communication between managers. Management, however, is a two way process, and in this section we address management relations with the workers. The history of authoritarianism in Spanish companies has, in some cases, bred in workers an emotional dependency upon their superiors. Rigid hierarchies in which orders were passed down to the workers, with little chance of participation, robbed workers of initiative. In a study of a Japanese multinational operating in Spain one Japanese worker described the difference in working attitudes between the Japanese and the Spanish as follows:

People follow the instructions as given, but judgement is totally up to the managers. Detailed instructions – often in written form – have to be given. Often they (the Spanish) do not begin to work until they totally understand and agree\(^{185}\) to the logic of the job. But once they agree to it, they do a very fine job.\(^{186}\)

A manager interviewed for the present research project described how this problem affected his department, especially after reorganisation:

But we have had problems because the employees are used to taking orders, not to think. They say, “I haven’t done that because I wasn’t told to do it”. The young managers may now be looking to delegate but find that the employees may be obstructive.

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185 It is worth emphasising this particular phrasing with regard to the Spanish psyche. This is worth restating at the risk of repeating observations made elsewhere in the thesis. The Spanish in general need “to be convinced” of things, logically, and most importantly, personally. Orders, which they are not happy with, or that come second hand, are often treated with a cavalier attitude at best, grudging acceptance at worst. However, once accepted and internalised, the Spanish manager and worker takes the task extremely personally and will be committed to the task.

Cultural change in managers has proceeded in many cases faster than that of their workforce. In the chapter on education we addressed the deficiencies of the educational system: problems which now must be rectified upon the shop floor. Many managers also find it easier to work democratically and delegatively with their peers rather than with their workers. The integration of Spanish companies still has some obstacles to overcome. Whilst many managers (see chapter on motivation) feel that they are not motivated by financial reward, but by personal development, they also tend to feel that workers are motivated more by reward. In short it could be said they feel workers to be governed by ‘theory x’ and themselves by ‘theory y’ in McGregor’s terminology (McGregor, 1960). A human resource group manager for a Spanish owned multinational told me that:

Here we have management from the bottom up. We have delegative management, and open communication. But if you want to know my true feelings, I think you’ve got to have a leader at the top who forces down his opinions. The workers and unions are not sophisticated enough to participate in management.

MNCs and Modern Spanish Companies

In this section we will re-state the current organisation of Spanish companies. Multinationals and medium and large businesses in Spain are characterised by:

- Far flatter hierarchies compared with the beginning of the 1990s, and usually in comparison with MNC company averages.
- Small size relative to similar companies in other European countries.
- Are in the process of change: downsizing and reorganising.
- Have more open and direct communication than previously.

Alongside organisational change, flatter hierarchies and more democratic management have been developed with management systems and reporting. The needs of the ISO 9000, for example, have been very important in highlighting the need for clear communication in companies, as have the needs of modern financial reporting. Managers have readjusted their focus to the needs of the business as a whole. The
managing director of an electronics and telecommunications multinational present in Spain, detailed this new attitude to researchers writing a business history on his company:

This approach was new at the time (within the company). Any time a manager did not make his numbers, he renegotiated his budget or questioned the assumptions behind it, as opposed to going back and checking how his costs could be reduced. The old culture was not focussed upon results but excuses. 187

The business culture created within this environment is very distinctive in Spain, and plays to several Spanish cultural strengths. We shall examine how these organisations function in more detail in the following section.

Another Hierarchy

Nearly every manager interviewed explained that although there was a clear organisational chart and hierarchy, this was not the mechanism by which management operated. A senior manager for a Spanish multinational, exporting and producing in the United States and throughout the world, told me that there was a “very heavy hierarchy” but that he expected company directives to plant managers often to be ignored. “We set a norma (policy), and they can reject it, or interpret it as they want. This is the flexibility in an otherwise rigid system.” Reporting and a clear chain of command are not the senior managers’ top priorities for controlling their subordinates. An operations manager gave his opinion:

I feel that the parent organisation in England is run more like the military – their organisation is like the army. Here subordinates don’t always need to ask permission. We are very democratic. Subordinates have the right to decide for themselves. We are more concerned with speed, flexibility and results than the hierarchy. I am asking my subordinates for ideas, not medals!

187 Chakravarty, Balaji Alcatel Standard Eléctrica S.A.: The Industrial Electronics Division, INSEAD 1994, case no. 395-024-1 p.11
The salient question is, if the organisational chart is not the basis for authority in the company, then how are managers effectively managing, and how do they exert their authority.

**Authority Not Power**

As the organisation chart is not as important in fixing authority relationships, it could be suggested that authority resides in the person, not in the post. That is to say that unlike in a British company, a managerial position does not now automatically confer the authority of the position upon the manager. Managers need to gain authority for themselves, rather than rely on the power that the status of their position brings them.

A human resources manager at a British multinational explained his views that:

> There is no authority where people are saying they are the boss - if you need to say "I'm the boss" then you aren't the boss at all. Here authority rests in the person - not in the position. Not like in Germany or England. It doesn't matter how much noise you make - you are the boss because of who you are not your post. 

*The Pope has far less power than a head of state - but far more authority. Power is nothing without the authority, and the respect is where it comes from. The respect that people give you.*

Managers must then gain authority. Subordinates do not necessarily follow a manager's orders because of his position in the company. In several companies with either German ownership or production centres in Germany, Catalan managers gave their opinion that they did not comprehend the clear sense of the authority hierarchy in the German companies or their association. “We just don’t accept things. We would argue our point with our boss.”

**Authority of the Person: Selection of the Right People**

Other studies have identified that authority in Spanish companies resides in the person not the post. However, this study is concerned to understand the nature of this authority, how it is acquired, transmitted and what impact it has upon the nature of management. Authority is the respect that an individual manager has from his team, his superiors, subordinates and peers. “A manager gets this respect from his team, by
developing his network. The faith people have in you.” This was a common explanation given by managers. “We have confidence in individuals,” a senior manager explained, “because we know them.” It can be suggested that as senior managers prioritise certain values in the selection procedure discussed in the previous section then they have faith in their subordinates. Part of the group, the authority of the senior manager, is partially given to his subordinates. “I give my managers autonomy” said a senior manager “because I trust them.” This trust is more than a trust in their professional competence. A senior manager in a multinational gave his opinion that this was why trust and loyalty were such important qualities he sought in his managers, and explained “this is not fieltad (fealty) - which is loyalty to power, but lealtad, (loyalty) which is loyalty to friends.” Thus the respect given to the senior manager is partially reflected upon the subordinates he picks for his group, because they share similar values. In this process the role of the leader is important, and will be discussed in the next section. Before this, it may be worth commenting upon a value that managers identified important to attain respect: ambición sano.

Healthy Ambition

Disruptive elements within the managerial team were seen as negative, and these traits included excessive individualism, lust for power, and personal ambition. Several managers however explained that ambition was also a positive quality if it served the group, and explained how they differentiated between a positive and negative ambition:

If they have the ambición sano - this is good. It means a good ambition, not ambition just for a bigger car, or an obsession, which is bad. If it is a desire to improve oneself, it is a bueno ambición, for something concrete. Your way of being, your own nature, determines whether this is good or bad.

Flexible Job Descriptions

One feature of the organisation that is apparent in Spanish organisations is that many job descriptions are not very detailed or precise. As well as this, in multinationals with very precise job descriptions, managers in one post may also be carrying out more other functions than may be typically expected. Partially this is a result of generalist
understanding of management, and partly through the assumption that the "person will define the job", that is to say that a manager will take on more responsibility as his authority and network increases. In the context of the section above upon the nature of authority and hierarchy, this difference can be seen in the experience of a production manager who worked for an American multinational:

In the American organisation I worked in it seemed very free and open across the middle management - like here - but it was very different. Although it seems democratic and you have autonomy - it is not true. Everyone has an area they are free to do what they like in - but you cannot move an inch outside. And although there is free movement across departments and through the middle hierarchy - above this is a very rigid upper hierarchy, which is completely closed.

Having suggested this, another obvious fact is that many Spanish human resource managers explain that one of their priorities is to define job descriptions more fully within the organisation, and to 'systemise'. A human resource manager told me that one of her primary functions is to "standardise job descriptions, and define the responsibilities of posts more clearly. Then we will have clearer communication"

The Role of the Leader
The Spanish answer to Tom Peter's In Search of Excellence, entitled La Excelencia Empresarial Española (Viedma, 1990), defines leadership as:

- Liderazgo:
  - Líder visible y asequible
  -Visión del futuro
  -Espíritu de trabajo; predicar con el ejemplo

- Leadership:
  - A leader is visible and accessible.
  - A leader has a vision of the future.
  - A leader has a great work spirit; leads by example.

188 Viedma, Jose Mª. La Excelencia Empresarial Española Viama Editores, Barcelona 1990 p.137
In this section we will explore what managers feel the role and importance of the leader to be in practice. We shall examine their importance in directing the cultural change many Spanish companies are experiencing. A production manager gave me his opinion of the importance of his boss in this context:

The plant manager’s working pattern has had a very strong effect upon the culture at the plant. The “human face” is his working style and this he passes on through our informal meetings and contact to the rest of the managers. His impact has been very great.

Thus the production manager of a prominent Catalan company explained in interview how the ‘leader’ can transmit culture and pass on values to the group. The leader’s position is cemented by the respect given to him by his group. A vice president of a Catalan based international company explained how he considered this quality when recruiting managers - thus perpetuating the value system:

I want managers that are not individualists. They must be able to create their own team, so they must not be egotistical, or keep information to themselves. Most importantly they must be able to transmit their experience and knowledge to their team, create their own style - their own school. Style is as important as knowledge. The teams should not be grupos isolados (isolated groups), it is bad to be cerrados (closed).

A commercial manager explained his viewpoint, and how he personally attempts to instil his working style to his subordinates:

Your personal managing style is very important – I have mine – I’m not saying it is the best, but it works for me. I train my staff to think, and I train my staff to work. They have liberty of action within the department. They act on their own initiative because they are motivated. They all have been given the idea that they matter and that they can contribute so

189 We shall deal explicitly with the ‘human face’ of Spanish management in the following chapter.
they act like they are *gerentes* (senior managers), of course they are not, but I give them that mentality. They do not feel they are just carrying out orders.

In a case study developed by a prominent Spanish business school, the managing director of a MNC described how he too used the closeness to his staff to improve communication:

> This affinity with my subordinates allows my management style to reach all levels of the company. I make regular visits to the factory and talk to the foremen and workers.\(^{190}\)

Finally, a HRM manager at a large MNC summed up her personal feelings as to how a leader should best manage, and in doing so accurately summarised expectations of the majority of Spanish managers:

> To be able to manage a group you must not depend on your position in the company, but on your personality, by your contacts with the people – personal contacts with your group of friends – in order to persuade and motivate.

This personal contact is very important to Spanish managers. Because of the individualistic tendencies of many managers and workers, there is resistance to orders that they either do not understand (or agree with), or originate from those that they do not respect. The role of the leader, in being able to manage via his respect, is therefore central in accomplishing task and co-ordinating people. Spanish managers habitually use the words ‘persuade’ and ‘convince’. They need to ‘be persuaded’ or to ‘convince’ others’ to accept tasks. Luckily for management and would-be leaders, they are also keen to point out that “we can be convinced, we are a very reasonable people.”

\(^{190}\) Anzizu, Josep Ma, Chinchilla, Ma Niria *Luis Bartrina*, IESA 1988, case no. 0-488-024 FH-324-E
Summary

It is the personal qualities of a manager that are important for the respect, and thus the authority that a manager wields in an organisation. Each industrial sector, each individual business examined in the study had very different formal hierarchies and organisational charts. In most cases multinationals used an organisational system close to that of their home country or country of origin. Despite these large differences, the actual way that managers across industries were working was strikingly similar. The organisational chart had little impact upon how Spanish national managers managed within the organisational framework.

Whilst emphasising these differences in management values and working methods in Spain, we must also put them into context. As international business and business school educated managers become more and more common, more management systems and standard procedures are implemented, the differences between Spanish and British managers become smaller. As many Spanish managers themselves explain “every day the differences become less.” Despite this, there is reason to expect that ingrained cultural expectation such as the prioritisation of human values, and respect of individuals will continue to be more prominent, and play a more important role in the organisation, than in Great Britain. One reason why this system may be such an effective managerial style in Spain is that the average company size is fairly small. A large company in Spain would have between 2,000 to 4,000 employees. In this environment, when many multinationals have Spanish organisations of only 1,000 employees, direct communication and devolved responsibilities are easier to manage.

A production manager of the small Spanish division of a British multinational, one of the world’s largest corporations, explained that:

In large companies there are big complex systems for constant monitoring and reporting. This makes a lot of pressure. I feel much of it is without value, there is too much reporting. Is it necessary? No. There is too much information and it makes me frustrated. Unnecessary reporting is without use. Hundreds of things in management are necessary, but not all this pointless bureaucracy. Because we are a small company this is less of a problem than in the parent company in the United Kingdom. We have no problem of an excess of bureaucracy caused by an excess of people.
In the next section we examine how managers actually carry out their work without using the formal hierarchy.

**Regions and Sectors**

Authority relations and hierarchy also vary between regions and industrial sectors. In the chapter upon regional differences we will examine the issues in depth, but some of the main points should be indicated here:

- Areas of strong unionisation and heavy industry, such as the coal mining industry in Asturias, often have more worker radicalism. The presence of anarchist unions, for example, runs counter to management legitimacy. Companies in these areas are likely to have longer hierarchies.
- Regions that experienced strong repression during the Franco period, such as Catalonia, are more open to workplace democracy because of the general mistrust of authoritarianism.\(^{191}\)
- Areas with a high concentration of multinationals tend to be influenced by the organisation systems used by them. Many private companies in Madrid, for example, have organisational structures more similar to their MNC competitors located in Madrid than do companies in many other Spanish regions.
- Industries that were in the state sector and INI for many years, typically traditional heavy industries, still manifest many of the characteristics of old state sector management, despite rapid change. Such carry-overs include resistance to cultural change, of which we have seen several examples throughout the thesis.

\(^{191}\) Filelia i Ferrer, (1990), for example, has duplicated Hofstede’s research for Catalonia and produced significantly different results. Power distance was significantly lower than Hofstede’s results for Spain, for example.
CHAPTER TEN: COMMUNICATION

Management work is essentially co-ordination of people, and the means to achieve this is communication. All organisations have both formal and informal communication channels: communication through hierarchies and procedures and communication through individuals. Formal communication channels include regular meetings, reporting, discussion groups, internal information services, irregular project meetings and orders. Informal communication includes ad hoc or unscheduled meetings, personal discussions, informal, extra-hours and social contact.

In this study we are interested in finding how work is carried out, and which form of communication is the most important for managers, and how this interaction takes place.

Communication between managers was typified as:

Relations are very direct; with each other, we are more like a team, friendly, the hierarchy is flat.

The informal personal communication between managers is not confined to the office. A human resource manager of a Catalan financial institution explained that he was late for his meeting with me because:

I saw my boss in the street, and we decided to have a talk and solve some problems, which were important for us, right then. So it was a fifteen-minute meeting. We can do this, although it is not our usual practice to do this all the time, but only if we need to.

In many cases managers discussed or solved problems as part of a social call to other managers, or mixed unscheduled meetings with decision making and problem solving discussion. A financial vice chairman of a national company said of the senior managers:
We see each other in a casual way – for example I have just moved into this new office today – and that man who just popped in to see me was the general secretary coming to see how the move went. But if you hadn’t been here we’d have talked over some problems.

The same managers explained to me how informal communication was not only accepted as a working method, but encouraged and officially recognised. He set out his appreciation of the importance and tacit advantage that informal communication gave:

We share information, mostly we have all been in the company together since we left university, and for the nucleus of us that have been here 30 years communication is very easy between us. There is a heavy organisational pyramid. For us it doesn’t exist as we go around it. I fear this will not happen with the new entrants. This is a big concern of mine, to extend informal communication. I believe it is a tacit advantage of ours in management, how long it will last I am not sure. I believe so much in this informal communication we must transmit it to new managers ... I have arranged lunch every Thursday at an expensive restaurant, informal and for management groups, so that way they can know each other better.

The same value emerged in a rather different way when a managing director of another company explained how the company was trying to increase the use of formal communication channels, commenting upon some of the problems of relying upon informal communication:

We are very informal – actually too much. But we are trying introduce systems, and we now have the ISO 9000, there is a lot of paperwork, for example. We are becoming more bureaucratised, but we are far from the typical European company: we have little paperwork, and hardly any reporting. But we must do more paperwork. For some things, procedures would be better. There is a lot of technical knowledge that our people know by word of mouth that we need to record. We must write and communicate more formally.
Meetings

How business meetings are conducted, rather than a study of their content, is a useful focus of study (Schwartzman, 1986) in organisations, shedding light upon how managers interact. Typically the literature has stressed the different ‘Latin’ priorities at meetings in Spain. In this chapter we shall examine the conduct of the business meeting in Spanish companies.

In a typical Spanish business meeting the timetable is subsumed to human considerations. Fons Trompenaars (1993: 115) relates an incident that illustrates the difference between Northern European and Latin attitudes towards time and meetings. During a meeting, scheduled to start at 2:00pm, the Spanish managers are delayed. Twenty minutes later, when they turn up, the American manager and his two Scandinavian associates officially convene the meeting. The Spaniards did not feel constrained by the official meeting times. Typically, the Spanish are more concerned with quality of time, rather than time itself. We shall explore this in chapter on the ‘human face’ to management in Spain.

Where the timetable is strictly adhered to, this is likely to be a reflection of the authority that the senior manager is wishing to display. This was observable in traditional hierarchical family owned businesses where the owner-manager expected punctuality to reinforce his social dominance rather than simply because of notions of time efficiency. Many older senior Basque managers were also seen to be particularly status conscious and used meetings as way of strengthening social hierarchy. There are also some regional differences in meeting timetabling, as in Catalonia, for example, punctuality is prioritised more highly. For this the Catalans have been called “the Germans of Spain”.

The literature on Spain does mention some of the differences noted above, but the change in authority relations which we have examined in the previous chapter have had an impact upon typical meeting priorities. When conducting the interview research the author was often kept waiting after the scheduled meeting time. However, there was no evidence that this was ever part of a ‘authority ploy’ designed to augment the perceived status of the interviewee. Rather managers were tied up on telephone meetings, or coming later from a meeting themselves. In some cases they had been called away by colleagues. Upon arranging a meeting with a senior bank manager I was perturbed to find him over twenty minutes late. I was informed by his
secretary that he was *never* within quarter of an hour of appointment times, something gleefully confirmed by the man himself\(^{192}\). His orientation was not centred upon time discipline, but on social considerations. The human element of the meeting was more important than the formal scheduling mechanism itself, and typically the manager was happy to extend a ‘thirty minutes maximum’ time slot into two hours without further consideration (cancelling other meetings that he had scheduled).

Within the typical Anglo-Saxon meeting the sense of hierarchy and order is paramount. Usually an agenda will outline the issues to be discussed, minutes will be kept to validate and record decisions, and the discussion will be directed. Typical differences observed by British managers in Spain regarding meetings are:

- The senior manager does not actively chair the meeting, although they are deferred to.
- There are seldom formal agendas, usually just general topics.
- Meeting structure was not explicit. Often there is no set time limit, or official purpose to the meeting.

When companies, such as MNCs, set formal agendas for meetings, this was in no way a guarantee that the agenda would be followed. One German manager working in a Spanish company described their meetings as “a chaotic series of unrelated arguments, as every manager fights to champion his own ideas.” Although Spanish managers themselves acknowledge that this is not the best use of meetings, in the Spanish business culture today decisions are not usually made in the scheduled meetings.

Most companies interviewed had regular formal meetings of management, varying in complexity and form. However, what was significant across industrial sectors and companies was that in the majority of cases managers accepted that meetings were not where the decisions were taken. A production manager noted that “before a meeting we have already made the decisions with each other. At the meetings we formally accept them.” An operations manager of a Spanish chemicals company said that “we have regular meetings, but these are not where the decisions are made, or an important

\(^{192}\) Trompenaars (1993) comments that the conception of time approximinity “...is from 15 minutes in Latin Europe to part or all day in the middle-east.” p.112
method of communication for us.” A plant director of a pharmaceuticals company concurred, and said that:

The formal channels of communication on the organisational chart are not important in reality. They are not how we really make decisions and share information.

As we have observed in the chapter on labour and the unions, meetings are often the mechanism during which decisions are ratified, decisions that have been taken spontaneously and informally during a manager’s normal working day.

A Meeting of Minds? A Possible Spanish Tacit Advantage
One of the problems that can occur in international business negotiation is the differing cultural values and expectations enjoyed by the participants. The Spanish attitude towards meetings with business partners is one nurtured over time for “the establishment of a personal relationship based on mutual trust, pride, honour and respect is crucial within business” (Contreras et al, 1993: 12). In this way the Spanish are in tune with the values prioritised by the Japanese and Germans, for whom trust within a professional relationship is paramount. The Spanish orientation towards maintaining personal and professional relationships in the long-term is one way in which they may have an advantage in negotiating with developing countries and trust-centred cultures. During the conduct of the research German, Japanese and Spanish managers said that they felt a ‘synergy’ in their orientation. Whilst German and Japanese managers did feel that Spanish managers could still become ‘more professional’ and ‘efficient’ (with regard to time-orientation, for example), they felt that the Spanish were “people that we can do business with.” Trompenaars (1993) and

193 In this context British and North American managers have been criticised for prioritising short term aims instead of developing relationships and taking a long-term view. British and American managers typically having an attitude that compartmentalises their business from personal life, and are thus able to regard relationships with different criteria than the Spanish manager to whom are relationships are seen as ‘personal’.

194 One senior Japanese manager explained how the Japanese concepts of giri (honour and obligation) were very close to the Spanish, and particularly Catalan, concept of deberia (obligation and duty).

195 The Japanese see punctuality as central to politeness, which is important to them in business (Trapp, 1994; conversation with freelance business consultant Mr. William Eddis). The German is typically time conscious (Lawrence, 1980; 1996; Barsoux, Jean-Louis and Schneider, 1997).
others have noted that this long-term orientation to relationship may be an advantage in business with the developing world, and Spain, of course, has strong ties to its former Latin American colonies.

It must be noted however, that when we speak of a long-term view of relationships, we do not mean a long-term business perspective. Poor future vision is something for which Spanish managers and companies have been criticised, but they often expect business to grow organically from relationships, without a clear plan as to how this relationship is to ‘be exploited’.

Summary
The informal communication, which enables quick action and rapid response to problems, is facilitated by the personal value system of Spanish managers. It is innate to them to communicate freely and directly with each other as individuals. This is made possible by the social context, and noteworthy features of this are:

- Managers are part of a group with similar values and personal relationships with each other.
- The importance of the personal networks.
- Current business practice, which emphasises democracy, open communication and flat hierarchies.
- Relatively small company size that favours these forms of communication.
"No hay nada más Hispánico que no sentirse español."

Exhibit A There is nothing more Hispanic than to not feel Spanish.  

196 Cartoon editorial reprinted from La Periodico (Catalonian daily newspaper), Tuesday October 10th 1995.
SECTION I. GEOGRAPHIC MANAGEMENT MOBILITY

The patterns of management mobility in Spain are distinctive and different from mobility patterns in other European countries. The reasons for these differences are manifold, and this chapter aims to set this in context and to account for the Spanish pattern of mobility. Spanish geographic management mobility is generally more limited than that in other European countries. In examining the situation, some context and social and economic background needs to be given in order to develop an analysis. We shall examine:

- The historic mobility patterns of the Spanish regions.
- The regional economic imbalances in the Spanish economy.
- The personal regional loyalty of the Spanish managers.

The Historic Mobility Patterns of other Spanish Regions

Because of the uneven economic development throughout the Spanish regions, there are differing levels of management mobility within the autónimas. In comparison with Great Britain the overall level of mobility is lower than would be expected, but in the Spanish context several generalised differences can be observed. Firstly some areas of Spain have populations more historically inclined to migration than others. In the modern period, the process of urbanisation in the 1960s in Spain led to huge population movements. Some 6 million Spaniards moved to work in other parts of Spain between 1960 and 1975\(^\text{197}\). While there was some movement to provincial capitals, the main focus of internal migration was to the industrial centres in the Basque Provinces, Catalonia, Madrid and Valencia from Andalusia and Galicia and Castille. Regions such as Galicia also have a history of emigration, both overseas and to Catalonia. Since the large internal migrations forced by industrialisation, labour mobility around Spain has declined dramatically – internal migration in the 1990s has been only 10% of that in the 1960s\(^\text{198}\). One of the prime reasons for emigration to

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\(^{197}\) EIU Country Profile: Spain, The Economist Intelligence Unit Limited, 1994 p.17

\(^{198}\) "Give us a Job: Unemployment is the new Spanish curse" The Economist 14\(^\text{th}\) December, 1996 v. 341 no. 7996 Spanish Survey pp. 6-10. The Economist links this drop in mobility with the increasing provision of social security keeping people "on the dole". The Spanish strong family life also provides support for family members acting against migration.
Catalonia and Madrid in management terms is the economic pull of the major centres, industrial hubs and location for a significant number of multinational's head offices. As outlined in the chapter on the Spanish economy, nearly 66% of business organisations in Spain are located in Catalonia and the Madrid region\textsuperscript{199}, and the majority of these are around Barcelona and Madrid themselves. Therefore when considering management mobility the fact is that the majority of management jobs, including high level management work for multinationals and within company head­offices are located in two distinct regions.

\textit{The Economic Pull of Catalonia and Madrid}

The twin pressures of rural depopulation, with the migration of labour to the provincial capitals and to Madrid and Barcelona, and the economic pressures of the chronic high unemployment exacerbate these historical tendencies. For senior management the career avenue in multinationals may also incline them towards moving to the corporate head office, the majority of which are usually in either Barcelona or Madrid (Appendix D Personnel Recruitment Advertising).

Exhibit E in the appendix shows recruitment literature. It can be noted that the job for department head of a national company is located either in the Madrid or Barcelona offices, depending on the candidate's choice. A revealing detail.)

Opportunities for mobility from the richer areas to areas in Spain with less business development are therefore fewer than opportunities between and within the major business centres. Because of the disproportionate number of business enterprises within Catalonia, for example, ambitious managers from other provinces gravitate towards the region\textsuperscript{200}.

A multinational department head from Galicia told me that “I have many capable friends in Galicia, but to get jobs they have to go to Madrid or Barcelona.” He also highlighted another attraction of Catalonia that also acts as a barrier to management mobility out of the region - “And in Galicia the salary is very different. Much lower than here.”

\textsuperscript{199} Duns 50,000 Spain, 1995

Management Mobility within Spain

Latin executives are less inclined to move about than in Anglo-Saxon countries. Spain takes the lead in this tendency, followed by Italy then France. Family, friends, customs and surroundings play a more important role in the Latin social model than in the Anglo-Saxon one. Some people see a kind of collective social insecurity in this tendency. Some people justify it by affirming that we enjoy a better quality of life and that for this reason, we find it difficult to move to another country. The fact is we suffer from a certain lack of mobility, not merely to move to other countries, but to move from city to city within our respective countries.\(^{201}\)

In comparison with other Western European countries Spanish managers are less mobile. There are regional and hierarchical differences in mobility, as well as variations between economic sector. This chapter will set out these differences. Managers within the richer areas such as Catalonia would appear to be less mobile than the average in Spain, as mobility is usually to the most attractive regions from the less developed. Human resource management researchers (Soler i Vicente, 1993: 217) have found other distinctive characteristics to Spanish mobility:

Another peculiarity in Spain is that non-executive personnel have little or no geographic mobility. The labour unions are fiercely opposed to an open labour market, which would facilitate people moving from one part of the country to another.

Within Spanish business organisations the problem of geographical mobility is very acute. Human resources managers find it very hard to move managers between autónimas within Spain, and also within regions. A senior manager for the Catalan regional head office of one of Spain's few genuine multinationals told me that:

\(^{201}\) López-Amo, Julio "Directivo Latino, Directivo Sajón" Barcelona Management Review no.1, January-April 1996, Barcelona p.70
We cannot send people to Girona from Barcelona (60-km south). Catalan people do not like to move. We do not like to go. We like to stay in our area - for example in my case I never want to leave. I would lose all my friends. I have already moved once in my life and lost all my friends I would not go again. We are more set in place.

A large Catalan financial institution even has a policy of keeping managers within 40 km of their hometown. Several managers interviewed in Barcelona from other parts of Catalonia expressed the fact that they were searching for other jobs closer to their hometowns despite working in nearby towns, and this was a recurrent theme in interviews throughout Spain.

Accounting for the Lack of Geographic Management Mobility in Spain: The Regional Loyalty of Spanish Managers

When asked whether they would consider moving regions in their job the majority of Spanish managers interviewed for this project told me that they would not wish to. The main reasons for this were:

- The bond to the family.
- A love of the land: the climate and the local geography of their home region.
- The attraction of good relative wages for managers working in the major centres.

Typically those who said that they had moved region to progress in their career told me that they considered themselves the exception, especially if they had moved outside of their region before the 1980s. One Catalan manager summed up the general mood on regional loyalty when he said, “why should I move? I feel Catalan - my family are Catalan. Here the pay is good and we have the best quality of life in the world.” The feeling of Catalan nationalism and the perception of a superior quality of life were the two most common reasons for this opinion being given by Catalan managers as well as a perception of the risks involved in moving to other regions:

I like this country. I feel Catalan, what can other countries, companies bring me? If I fall I have many friends and family here to help me. For
myself I don't believe in moving, for the happiness of my family. Look at my case: I am part of this area, with all family and friends, I believe in these things. When people move, for the first year they are happy, they have more money, power, and this brings happiness to that person, that one member of the family, I'm not sure for the wife. For her there will be problems, always adapting to new places and new languages. Maybe she makes a friend, then her husband moves too. When they come back [to their native region] what do they have? Nothing, their friends have moved on, their network is gone...you find things at home have changed.

Managers from other regions offered comparable sentiments about their own regions. In northern Spain the emphasis was biased more towards high wages than in southern Spain, where managers placed more emphasis upon the quality of life and the slower pace of life. When considering quality of life in the context of comparative management, an overview of the issues has been well formulated in the text *Euromangement* (Bloom, Calori and de Woot, 1994: 80):

Quality of life is important in both the US and Europe, but it is interpreted in differently. American society is more materialistic and consumer-orientated. People there are more ready to trade their time for money. Europeans want a balance between work and personal life. Money does not talk the same way to them ... 'the first thing one learns as a manager in Europe is that you cannot make people happy through their wages' comments Francios Cornelis of Petrofina SA.

In the case of Spain, the argument for quality of life over wage considerations is stronger than in the UK. Spaniards surveyed put the family as the most important thing in their lives. The strong regional and familial ties in Spanish society create insularity in the average Spanish manager's conception of his domain. Many Spaniards think of their region as their country, and arrive at a feeling of 'Spanish-ness' as the last in a long line of descending loyalties starting with the immediate

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202 "Give us a Job: Unemployment is the new Spanish curse" *The Economist* 14th December, 1996 v. 341 no. 7996 Spanish Survey pp. 6-10. The article also suggests that the strength of the Spanish family has allowed the country to cope with chronic unemployment rates of 20%.
family, and ending with European sentiments. In fact the majority of Spanish managers in conversation refer to themselves by regional identity, such as Basque before skipping Spain and generalising about themselves culturally as ‘Latin’. As this chapter’s introductory cartoon surmises, “there is nothing as Hispanic as to not feel Spanish.” Antonio García-Trevijano, in his *Discurso del la República* examines how this feeling may threaten the long-term unity of Spain as a nation state. However, the centrifugal forces of Spanish regionalism have been a long-term feature of Spanish society, and a perceptive study based upon the work of Spanish scholar Salvador de Madariaga (Galtley, Lessem, and Altman, 1996: 44) comments that:

Spanish collective life, on a large scale, has traditionally counted on superimposed cohesion, more often or not through the Church or Army. Cohesion realised on a small scale is more organic in nature.

In this light it is not surprising that many Spanish managers should regard a job transfer to another Spanish region much as a British manager may view a permanent transfer to another European country. Given the poor state of the Spanish infrastructure until the mid-1990s and Spain’s vast geographic area, the lack of management mobility may appear less extraordinary.

**Is Low Management Mobility an Impediment to Business?**

In light of the above discussion it must be asked whether this low mobility is felt to have an impact upon business. Or perhaps the question is whether the managers feel that the lack of mobility is an impediment. The majority of managers interviewed felt that the problems they encountered in trying to relocate managers within and between regions was a constraint on their operations and on the capability of the company as a whole.

The problems fell into several different areas:

- The problem of managing subsidiaries and plants in other regions.
- The problem of staff allocation within the Spain.
- The problems of motivating staff to relocate.
The Problem of Managing Subsidiaries and Plants in other Regions:
The lack of geographic management mobility in Spain becomes an organisational issue when it compromises the organisation's ability to implement policy and manage effectively. The most common scenario where Spanish companies suffer directly is when a company was based in one region but maintains regional or production centres throughout Spain. A recurrent problem identified by managers was the problem of control and communication with these centres. The reasons why this was deemed necessary varied greatly and varied with the region being considered. For example, some personnel managers found that they had a problem finding experienced senior managers to head up local departments and operations in some, usually southern, areas of Spain. Another example was a Catalan company with offices in Madrid, which found that it encountered differences in business culture that impacted upon the control of the business, but was unable to install head office managers in these branches to transmit the head office corporate culture because managers could not be relocated.

In these examples human resources and personnel managers felt that they could address these problems by posting their managers from the home area to the centres they deemed in need of direct control from head office. However, for the aforementioned reasons this solution was either difficult or not possible. The regional training and development manager at a Spanish multinational telecommunications company explained how resistance to mobility affected the company and limited the possibilities for management rotation:

It is not the policy to move people within the company in Spain. Despite the restructuring sometimes there is still the old culture. Every province has a regional director, and sometimes these were changed between provinces. This could cause problems. Many provinces have different development levels, and this means different business volumes – many far lower than those of the major Spanish capitals. It is seen as a punishment to send a manager to the lower regions and in the business sense somewhere like Seville has a low level business volume compared to Barcelona. So this is why we have so many managers in Madrid, when it is stupid, as it makes no sense to have them in Madrid. The reason is that it is politically very difficult to devolve posts to the regions.
The group production manager at an international Catalan paper group was able to explain how such limitation causes organisational problems. Where plants are performing badly, the inability to assign proven managers to the plant results in serious problems. In exasperation with his two production plants located in southern Spain (from a total of seven nationally), he commented that:

The Andalucian plant managers are so difficult to control. They seem to learn nothing; it takes a lot of effort to communicate with them. Although I set them directives, feedback is difficult to control and maintain without 'my' men on site. Although I visit the plants quarterly – and monthly when there are real problems – this is no substitute to direct control.

Whilst the majority of companies experience political problems of control between head offices, production sites and their subsidiaries (Lawrence and Lee, 1985) tensions in the Spanish case are doubly exacerbated by:

- The inability or restriction on deploying personnel geographically.
- The possible tensions caused by regional conflicts and prejudice. This aspect of Spanish business culture is examined in the later section on 'regional issues in the workplace'.

These issues can be illustrated by an extract from a case study of a large Spanish company which was experiencing difficulty:

Most of the problems can be traced to the Madrid and Bilbao offices. These offices tend to go pretty much their own way. They criticise the head office in Barcelona. They feel that their demands are ignored and they regard all involvement and assistance from Barcelona “as an invasion”. The arrival of executives from Barcelona is heralded with comments such as “the barretinas [the Catalan national dress hat] are
coming”, and anyone who agrees with the head office is criticised for “wearing a barretina”.203

The Problem of Staff Allocation within the Region:
Similarly human resource managers identified the problem of staff rotation and placement as being as difficult within regions. As with inter-regional mobility, whilst the company wished greater rotation of management staff the resistance came from the managers themselves. In the example of Catalonia attempting to post managers outside of the region is highly problematic, and a key factor for this is Catalonia’s high business concentration. However, despite this the same problems occur within Catalonia. Several human resources managers told me that it is as difficult to send a manager from Barcelona to Lleida, Girona or Tarragona (all provincial capitals within Catalonia, all within an hour’s journey) as it is to send him to Madrid or Valencia. This problem is more pronounced in Catalonia than in other Spanish regions because the intransigence of the Catalan manager is stronger in general. But to a lesser extent, and to a far greater extent than in any comparison with the UK, the same situation can be found throughout Spain. A Catalan manager whom I interviewed in his capacity as production/logistics manager for a British multinational in Galicia explained that much of the top management (over half) at the Galician company were from other regions, simply because many local managers would not relocate within the region thus forcing the company to headhunt far and wide.

The Problems of Motivating Staff to Relocate:
A problem that Spanish personnel and human resources managers have is that of moving managerial staff in line with the aims of the business. This problem is significantly more of a concern to Spanish management than it would be in the British case.

In most instances one of the solutions to this problem was to motivate staff to accept relocation by offering increased financial reward and promotional opportunities. Although both of these inducements are common in the UK, in Spain the amount of financial reward and the possible gains in rank and status are significantly higher.

Therefore for ambitious managers accepting relocation is a swift way to progress up the organisational hierarchy.

As we have outlined in the previous section, senior managers have often risen to their position after several reallocations, and mobility at senior levels is more commonplace than within middle management. As a hypothesis it could be posited that this situation has contributed to the high level of differentiation between the various levels in companies, with more marked differences between senior and middle management, and overall the highest relatively paid managers in the EU. Certainly human resource managers see the need to offer inducements to candidates for relocation, an issue in planning the organisation structure and career paths. According to one human resource manager at a Madrid based national company:

"This is a problem for us here: moving managers. But we have moved managers around - but they only go to advance their careers and get more money. We have to offer them a large advance, and it is very expensive."

The problem impacts upon recruitment, as explained by the head of R&D in a Bilbao based Spanish MNC:

"I have several times employed managers from other regions because they were the best people for the job. All the time they spent a lot of time travelling home, and all left after three years. It is too much trouble training these people. I would not employ anyone from other regions again."

The Question of Networks

In the chapter on authority relations we have described the importance of personal relations in business. Could it therefore be postulated that a factor acting against management mobility is the fear of the loss of these personal networks? From the responses in the interviews it would seem that the loss of professional contacts is a minor concern when considering geographic relocation. A business consultant explained "most of my contacts are maintained by telephone and meetings at their places of work. I could still easily maintain this network wherever I worked." Spanish managers' business networks are developed from many layers of personal and
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professional acquaintance. Family members, university friends (particularly prominent), peers, ex-colleagues in other functions, companies or regions and professional client contacts all form the base of contacts which a manager considers his business network. The profesional associations such as the colegios profesionales also allow managers to maintain a network over distance. This was especially pronounced in managers in the construction and engineering sectors. Relations between the manager and the people in his network are often maintained upon a friendly social level, despite being work orientated. The Spanish ability to mix a business network with a social network is particularly marked, and what is even more apparent is the way in which Spaniards expects to develop and use their networks. The Spanish do not consider their business network as simply a tool, in the mercenary way that many American business people do (Pemberton, Travers, and Stevens, 1996), but as an extension of their social network. Research concerning the differing cultural agendas of female managers in network use illustrates this point. The research found in a three-country comparison (the UK, USA and Spain) that:

The Spanish women were less likely than the US to join a network to gain work related experiences but more likely to join to extend their social network and have fun. They were less likely than the UK to see social skills as an important skill in their networking. The Spanish were less likely than those in the UK to see the need to develop their social skills in networking and so to see the need to develop their business focus networking skills.204

Despite this different emphasis upon a manager’s network, Spanish managers distinguish between their business network and their purely social network of friends, family and acquaintances. It is disruption to the social network that causes managers problems when considering moving geographically. A female human resource manager described to me how if forced to move for work purposes she could carry her business network with her, and that she would be able to keep professional contacts

204 Pemberton, Carole, Travers, Cheryl and Stevens, Samantha Women’s Networking Across Boundaries – Recognising Different Cultural Agendas, working paper EWMD UK 1996 p.5
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alive with telephone contact (which is the primary way that she managed her business connections). In terms of the social network, a move meant that:

I would be losing all my social friends, not my work contacts. Why wouldn’t I move for work? - I would lose all my friends - I would have to start from zero in a new place.

These sentiments are intertwined with the family loyalty that we have examined in the earlier section documenting the strong family ties in Spanish society. In conclusion, the loss of kin ties and social connections are more important in limiting managers’ receptiveness to geographic relocation than any fear of losing important business contacts.

Local Flavours: The Impact of Regionalism upon Marketing

Spanish regionalism has some impact upon marketing. For example a prominent Catalan Cava company explained that:

Our marketing is half generic strategy, and half a local adaptation in each situation in terms of customers’ publicity. For example, in the Basque country the tradition of many fiestas is strong, and so we promote this - promote the individual fiestas of each local village. We become a local force, and enter into the social fabric of the area. In Madrid we sponsor more gastronomic events in the city centre. Here in Catalonia we work with the local institutions - especially the town hall - we have good collaboration with them.

A Catalan management academic gave his opinion that whilst Catalan products are marketed as Catalan in the region, that to market them in this way in other regions would prejudice the national market against them. As an example of this he cited Afga de Ribes, a Catalan natural mineral water company, which uses the Catalan flag on its bottles in the region but in the rest of Spain blanks it out with black (See Figure 1). A Catalan board member of an international company told me that within their home region they present themselves as the ‘first Catalan Company’ in the sector, but that “to refer to ourselves as a Catalan company would be very dangerous in Madrid.”
Regional prejudices also have a positive side. Many products play upon their provenance as a marketing strength. For example, sherry brands proclaim their Andalucian credentials with all the patriotic symbols of Southern Spain: bullfighting, the hot climate and history of sherry production in local tradition. Ham is another traditional product that draws upon these ideas in its marketing, and it is difficult for the non-Spaniard to grasp the emotional importance of ham as a source of national identity and pride. There is nothing remarkable or unique about this side to Spanish advertising and marketing, and the comparative appeal to Britons of Sheffield steel and Cheddar cheese (from Cheddar itself) is familiar.

Figure 1: Ribes mineral water labels, showing the Catalan flag in Catalonia (above) and black (below) for other Spanish regions.

The Impact of Regionalism upon Business Function Location

One feature of regional and local loyalties noted in the series of company interviews may be worth further investigation. At this point it can be suggested that local loyalties may have an impact upon business function location. In some companies where there are several production centres and a head office, some of the functional departmental offices were located at production plants rather than at the head office. Typically this was on the production side of management. From a business organisation perspective there is substantial management theory arguing for a devolution of production management to the production site, allowing greater contact and facilitating communication. During the course of many company interviews where this practice was adopted, it became clear that in each case encountered the

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205 “The Spanish foodmarket” Food Manufacture International, July/August 1991
206 A profound insight into the Andalucian – and Spanish – temperament can be gained from the Bigas Lluna film Jamón Jamón (ham ham), which links the Spanish passions for ham, sex (for which ham is slang) and death, as the protagonists eventually fight fatally – with legs of seranno ham.
manager who had made the decision to relocate the department had also chosen to site the department at either the town of his origin (if it included a suitable centre) or at the production plant closest to it. We have also noted this pattern in some other regions of Spain, and as in Catalonia the companies concerned were typically established Spanish owned companies, although in one case a multinational sited in Catalonia. In each case the manager who had made the decision was a senior manager.

This study is not trying to suggest that regional and local loyalty is the sole or dominant factor in the business organisational structure, but to suggest it may have some impact on it, although the extent of that impact is hard to quantify. However, in comparison with the United Kingdom it may be suggested that the influence of this factor is more important in Spain. In both Catalonia and the United Kingdom, regional loyalty and family ties may be an important contributing factor to business location, especially in family owned businesses. In Spain it would appear these loyalties may also have an impact upon the organisational policy of medium and large sized companies, and possibly even upon multinational companies (Exhibit E in the appendix shows recruitment literature. It can be noted that the job for department head of a national company is located either in the Madrid or Barcelona offices, depending on the candidate’s choice, as mentioned earlier in the thesis).

Does Low Management Mobility affect International Business?
To take the argument further Spanish human resource managers were asked whether the problem of low management mobility had an adverse effect on their international operations. The answer was usually that whilst management mobility within Spain was restricted, companies had far fewer problems in posting their managers to other countries.

There were seen to be several reasons for this:

- Managers were willing to take a foreign posting in return for increased salaries and promotional opportunities, especially increased responsibility and autonomy.
- Most companies felt they had enough managers who were keen to experience management in other countries for reasons of personal enrichment, travel and the opportunity to learn new languages.
Whilst the financial and career prospects incentives offered to managers considering international relocation are factors which also apply to motivating managers to relocate within Spain, there were other reasons that made managers more likely to accept these benefits and challenges outside of Spain:

- **Fixed period contracts:** Many human resource/personnel managers suggested that whilst relocation within Spain was thought to break up the family network, relocation to another country was seen in a different light. As most foreign postings were for fixed periods of a few years the manager was able to leave Spain knowing that the family network remained intact and that when the manager returned to Catalonia the extended family would be reunited.

Furthermore the managers were generally able to take their immediate family abroad with them, and as the posting was temporary their partners would also not see the separation from the familiar network as a problem. The human resource managers suggested that relocation within Spain created tensions within the family network, as a manager relocated outside his region would be separated from his family. One manager told me that if he relocated his domestic management within Spain “they would attempt to travel home every weekend to their families,” whilst this was not possible with foreign postings.

Foreign postings of long term duration were uncommon, and they were also seen to be a particular problem by human resource managers. A company chairman told me that “foreign postings of more than four years are very difficult because of the greater strain they put upon the managers’ families.” Foreign postings of three to four years are typical throughout international business, so in this sense Spanish companies are not at a particular disadvantage compared with the competition.

*Future Management Mobility in an Internationalised Spain*

The pattern of low management mobility would appear to be changing, if fairly slowly at this moment. Managers identify several reasons why they expect a lessening of the pressures acting against management mobility, which are described in the next section.
It would be reasonable to suggest that the impact of regional loyalties upon business and department location may be lessening, and that younger managers may not have the expectation to continue this practice in the future.

Reasons for Increased Management Mobility
There are several reasons, both social and economic, why management mobility within Catalonia and Spain may become more fluid with generational change:

- Increased emphasis on management mobility through educational career - especially foreign and domestic exchanges and work experience programmes on business degrees.
- Increased willingness to accept job dictates because of the unemployment situation, high graduate unemployment and increasing job insecurity for middle management.
- Some loosening of traditional family ties and the increasing emergence of the nuclear family, as opposed to the extended family.
- The conditions set by multinationals requiring their employees to be mobile, and the experience and expectation of geographical mobility instilled into their management.
- An improved national infrastructure allowing managers to contact and travel to their natal region more easily if working in another region.

The above factors are all contributing to the changing pattern of mobility. Whilst most senior managers who have had mobile career patterns describe their past mobility as "exceptional" or "extremely unusual", they also concede that "every day mobility is more common." Younger managers interviewed often accepted that they might have to accept some future mobility even if they were personally opposed to it.

In general the younger generation are being conditioned through their educational and early career experiences into an acceptance of possible geographical mobility. Despite this the change is slower than may be anticipated and the role of the family as a factor running counter to management mobility may not be easily discounted. Young managers who have spent time abroad in education told me that they share the same desire to remain within the region as older managers, although they are more
pragmatic in their acceptance of the necessity for mobility. The major observable
difference in their attitude to management mobility concerns international mobility
where many consider the chance to work abroad an opportunity, as one young human
resource manager informed me:

I don't mind going to a foreign country provided I can return eventually
to Barcelona – but it would give me a huge advantage to be able to learn
a lot.

Future Impediments to Management Mobility
The changing pattern of geographical mobility reflects changing trends in the
educational and economic life of Spain. In the section above we have noted that social
changes in the family structure may contribute to increased mobility. However, such
changes are slow to become apparent and social commitment to the family runs deep,
and because family has such influence upon young managers it may take some time
for any future weakening of the family bond to become a major factor in increased
labour mobility patterns.

Whilst economic changes, and to a lesser extent, social changes are contributing to
increased geographic mobility, these same factors, coupled with the political aspects
of increasing regional autonomy and nationalism, also may be raising some potential
barriers to increased mobility.

Overall, these potential barriers may not be particularly determinant ones, but are
issues that managers raised during interviews. The following section examines how
the increasing political federalism within Spain is impacting upon geographic
management mobility. The main areas considered are:

- Language as a barrier to mobility.
- Nationalism as a barrier.
- Economic bi-polarisation as an impediment to mobility.
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Language as a Barrier to Mobility

Whilst there would appear to be good reasons for an increase in management mobility, there are also other forces that are having an increasing influence upon restricting management mobility.

One of the factors that may restrict future mobility patterns is the increasing regional nationalisms within Spain, particularly within Catalonia and the Basque country where the Catalan and Basque languages can be construed as a barrier to managers from the other regions. This barrier can manifest itself in various ways, and the barrier may be subtler than at first appears.

The Catalan case is the most pressing, as the use of Catalan as an everyday language is widespread. First we must ask whether the Catalan language is essential to conducting business within Catalonia. From contact with managers and with business in Catalonia the answer would seem to be that there is a widespread perception that business, especially local, contacts are certainly facilitated by knowledge of Catalan. At a company level it is thought to be imperative to have Catalan speakers to deal with local agents, suppliers and managers in Catalonia. A manager from Galicia told me:

I started exporting into Catalonia in the 1960s, but I didn't speak Catalan. It was a disaster. Success only came much later when I employed local Catalan agents.

Language in itself is not a difficult barrier for businesses in Catalonia that are headquartered in the other provinces, as there is little problem in contracting Catalan speaking managers and agents.

At the managerial level again the barrier is not significant. In many companies in Catalonia the official business language is Castilian Spanish, a language that nearly all (and certainly all professional) Catalans speak as well as Catalan. In this way non-Catalan speaking managers have no problem in speaking in their native language. Contact with many managers from other Spanish regions working within Catalonia has demonstrated to the interviewer that on a personal level the inability to speak

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207 Catalan is more widely spoken than languages such as Danish and Dutch in Europe. “La UE ratifica que el Catalán es una de las lenguas minoritarias que gozan de mejor salud” La Vanguardia 27th September, 1996 p.25
Catalan is not a handicap to managers. Managers have often told me that what they consider essential to a successful working relationship within Catalonia is the ability to understand spoken Catalan rather than be able to speak it actively. One manager originally from Andalusia thought that as between working in Barcelona and in other regions "The most important difference is the language: I speak Catalan with the Catalan customers. You must understand Catalan to work here - but you do not need to speak it."

It is not infrequent for a business meeting to be held in Catalan with comments made from non-Catalan speakers in Castilian Spanish being perfectly acceptable. For non-Catalan managers in Catalan companies the language problem is not acute. Managers can cope without any knowledge of Catalan, although a passive understanding is a great benefit. Managers in non-Catalan companies operating in Catalonia, and also in many Catalan companies, find that the official business language is Castilian anyway. The founder and managing director of a publishing company who is also a Catalan nationalist explained to me that despite Catalan being his first language, his company's first language was Castilian. This was because it made better business sense when dealing with national and international clients (who may speak 'Spanish' but are almost guaranteed not to speak Catalan).

In the Basque country spoken Euskara is little used in business outside of local government, and therefore has little direct impact upon communication between managers in the workplace.

The Language Divide: Managers' Personal Considerations
If the widespread and growing use of the Catalan language in Catalonia and of Euskara in the Basque country is neither an impediment for businesses in general, or to managers as individuals, it is still possible to suggest tentatively that there is an impact upon manager mobility at the personal level. Conversation with managers from several Spanish regions highlighted some perceived problems in manager relocation. A senior Basque manager working for a major business organisation within Catalonia gave a typical example to me. He indicated that whilst being unable to speak Catalan himself was not a problem in conducting business, he had to consider his non-Catalan speaking family before moving to the region. His young son was a
particular concern to the manager as the first language in many schools is Catalan. The manager feared that his family would suffer problems of adaptation and adjustment at purely personal levels. Another manager told me that his decision to move to the region might have been affected if he had had family to consider:

I have an advantage as I have no children. When you have children it is very difficult to move between regions, say to bring them from Madrid to here (Catalonia). They would have trouble with the language at school, fitting in.

In this context language differences could be considered with the other general factors restricting management mobility. Whilst increased pay and promotional opportunities may go some way in countering these factors, it should be remembered that quality of life is seen as much more important by many Spanish managers. It is one of their distinguishing characteristics.

Considered in this way the increasing importance of regional languages may also have an impact on Spanish managers considering working in the regions with their own languages, such as the Catalonia, the Basque Country and Galicia. The Catalan manager, for example, committed to his own language and local customs may prioritise the desire to stay within a Catalan environment higher than the need to move regions. Further research needs to be undertaken to ascertain whether this has growing influence in the decision making of Spanish managers from regions with increasing use of national languages considering relocation.

Nationalism as a Barrier
The increasing use of languages other than Castilian Spanish within Spain is essentially a political issue. It is important to avoid the trap of referring to languages such as Basque and Catalan as 'regional' or as dialects. The roots of the Basque language, Euskara, far outdate those of Castilian Spanish. And Catalan is also a language with as much Romance pedigree as French, Italian or indeed, Castilian Spanish. Castilian, by its very name the language of Castille, is the unifying language

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208 "Pujol acusa al PP de intentar provocar una "fractura" entre los escolares catalanes" El País
15th October 1995
of Spain's bureaucratic centre. A centre that has historically had a difficult relationship with the more independently minded Spanish regions. The resurgence of these languages is in many ways a political statement of independence, and language was the unifying totem around which resistance to Madrid could organise. Therefore behind the issue of language is the potential for increasing nationalism that may affect the attitude of managers considering locating in other regions of Spain. The required language for school education, as we have heard testament, is a concern for managers with children. Managers for who dealings with state bodies are important, or who work within state organisations, must also consider whether language policy will be an impediment. The Generalitat de Catalunya, for example, publishes documentation vital for business liaison exclusively in Catalan.

In addition to exclusively nationalist political pressures, some national policies inadvertently – in contradiction to the current government’s pledge to open up the labour market – act to discourage mobility:

Labour mobility is hampered by rigid contracts and by housing laws that discourage owners from renting (fully 80% of homes are owner-occupied).²¹⁰

At the time of writing (Spring 1998), the Catalan provinces and the Basque country are the regions where these issues may be of consequence. Nationalist revival in other regions is gaining momentum however, and Gallego (the Galician language), for instance, is now more widely spoken than it was ten years ago.

Economic Bi-Polarisation: Shutting Managers Out, Locking Managers In

In section one of the thesis we depicted the Spanish economy, and noted how the extreme economic imbalances between regions in Spain were increasing rather than decreasing. The bulk of Spanish businesses are located in several key areas, and the concentration is increasing. Managers in highly developed regions such as Catalonia are already less easily motivated to move between regions because of the range of

²⁰⁹ "Regionalism Rampant" The Economist 14th December, 1996 v. 341 no. 7996 Spanish Survey pp. 15-18
²¹⁰ The Economist Survey of Spain, 1992. This figure is the highest in Europe (with the UK as low as 67% in 5th place) Source: Negocios “Dinero y negocios de la familia” supplement, “Cómo comprar su casa” 1995 p.19
opportunities afforded to them and by the superior material quality of life possible in economically more affluent regions. With increasing economic pull these regions will further attract the most promising managers from the provinces into these areas and deter managers from leaving. Whilst local mobility may potentially increase within and between the most economically developed regions mobility overall throughout Spain may decrease.

Regionalism in the Workplace
In the introductory chapters documenting the social and political formation of Spain we have seen how the federation of widely different regions became a nation-state. We have also examined the nature of the contemporary social, economic and business differences between the regions, and how this affects the business environment and the economic infrastructure. How the regional question impacts upon management in Spain has many facets, and one which is particularly interesting for the outsider is also one of the most problematic for non-Spaniards to research: namely how regional nationalism and loyalty affects individual managers' work within the work environment.

In the section on management mobility we examined how managers' internal values and priorities stemming from their regional and familial affiliations affect business in several key forms: human resource management, organisational control, international staffing issues and business location. In this section however we shall examine how these regional values act upon other managers' relations with other managers, in their direct labour relations and the extent to which they play a part in the dynamics of office life and culture.

The key question is whether the strong regional ties and loyalties that we have found in Spanish management are detrimental or advantageous to management, or merely a distinctive feature of Spanish management.

In this context regional topicos need to be addressed. Topicos are a manifestation of strong regional identity, the regional prejudices of popular culture.

Topical in the Workplace: Topicos and Co-working
This section explores how managers from different regions relate to each other. The issues are whether topicos affect work relationships:
• Between managers within companies from different regions in Spain?
• Between Spanish managers and their employees working in regions other than their home region?
• And also, do Spanish managers from other regions find integration and acceptance problematic when working in other regions?
• And whether topicos cause tension in inter-regional office management?

Topics within Spain
Although most managers in Spain accept the existence of topicos they usually deny that they have any impact on business relationships. Part of this stems from the long history of assimilation of internal immigrants in many parts of Spain. The numerous waves of worker immigration have given Spain's major cities a legacy of assimilation of workers from all over Spain. Managers inform me that topicos do not impair working relationships in, for example, Catalonia.

The majority of managers questioned found no problem in adapting to or working with managers from other regions. A Catalan manager told me that a manager from another autónima would be respected because "they would only appoint a manager from outside if he were better."

Another issue is the relationship between companies and their managers operating in other Spanish regions. There is some evidence that topicos may affect managerial/staff or head-office/local office relationships, as described in the earlier section upon the organisational problems of low geographic management mobility. A board manager of a large Catalan headquartered company informed me that personal relations with the Madrid offices could be complicated by a clash of cultural expectations:

Here there are many cultures - Spain is a federation. In the company we can adapt to and respect other people's cultures but we can never change them. For example, the people in Madrid are an open people, they waste more money, they like to be seen, they like to govern, but when there is a problem they don't accept other people's ideas. I know how they think and how to react. But the way they are cannot be changed - or very slowly.
An IESE report upon the same company\textsuperscript{211} highlighted incidences where managerial conflicts in the Madrid office were personalised to the extent where nationalist insults impaired working relationships between managers. It would appear however that this case is somewhat more extreme than the usual.

The extent and nature of cultural problems appears to vary with the region in question. With regard to the northern areas of Navarra and the Basque country Catalan managers in general agreed with a finance manager that “management in the North is professional, the people are similar to us at work”.

In relation to Madrid some consideration should be given to the historic relationship between independent-minded provinces such as Catalonia and the Basque Provinces and the Capital. For example, there has long been a competition between the administrative and governmental capital in Madrid and Catalonia, which sees itself as the “motor of Spain.” The memory of Franco’s oppression and Madrid’s power over Catalonia in that period remain potent memories in the popular mind. A certain ambivalence exists which influences the topicos concerning Madrid. Some of the cultural differences which concerned managers’ personal relationships expressed by a Catalan vice-president were that:

The Madrileños are fighters. If they have a problem they like to take out guns. In Catalonia we are not an argumentative people, we are traders. They are more macho than us, more orgullos (proud) Many times I think they (the company’s Madrid managers) loose business because of their pride. They bang the table and shout ‘¡por cajones!’\textsuperscript{212} when there are problems. This is the style of the typical Castilian manager.

A board member of a large Catalan company present throughout Spain said of the Madrileños:

I feel they don’t work as much. We are famous for working hard - not Madrid.

\textsuperscript{211} For reasons of confidentiality the reference to this report is omitted.
\textsuperscript{212} A vulgar expletive, which may correspond in this context to "for God’s sake", or "because I say so!"
In contrast *Madrileño* managers had similar anecdotal and generalised concepts about Catalan managers. Typical comments included "they are cold, and they are ruthless. This is good in business, but..."\(^{213}\) as well as many similarly related jibes to do with the supposed avarice of the Catalans. It would be inappropriate to list all the insults, crude to inventive, that the Spanish have contrived to protect regional identities. However, their presence needs to be noted.

The most remarkable differences noted are in comparison with southern Spain. Whereas managers from all over Spain tend to say that in management terms the topicos have little, or negligible, impact or foundation, many (but not all) northern managers single out southern Spain as the great exception. The manager quoted above commented upon the relationship with his managers in the south "... in Sevilla they just fiesta." A manager of a Catalan company in charge of production in seven nationwide plants thought the cultural problems were most apparent in the South, and that prejudices depicting the southerners as lazy were stereotypical but substantiated:

> I have to tell my managers in the south many times - in the Basque country they have a much better memory. You give them instructions and they carry out the instruction - in the South it is very different - they do not understand the instructions. Or they implement without ‘controlling’ the instruction. They like to have fun all the time, party. They are not serious.

Integration and Acceptance of Managers from Other Regions

Managers working in other regions than their own generally held that they had little problem in adapting to work and business culture in their place of work. On personal levels some managers did find adaptation problematic, especially when they moved to areas with nationalised popular cultures. Several managers from outside Catalonia did say that they found adapting to Catalonia difficult. A *Madrileño* found that:

\(^{213}\) A particular illustration can be shown by the way in which foreign films and television programmes (which dominate Spanish television) are dubbed in Spain. Country bumpkins, for
In Madrid the people are from all over Spain - only 40% of the people were born there. But people say “Soy Madrileño” It has this tremendous capacity to assimilate. In Barcelona they keep foreigners outsiders. Here this is the official language and it is difficult to adapt. I find the Catalan has a reserved mentality.

In general managers from other regions find working in Catalonia relatively simple. A typical remark from a production manager: “management here is the most professional in Spain. Most international work here is easy.” As a significant number of managers in Catalonia are from other natal regions management has a cosmopolitan feel, although many distinguish this from a feeling of community as the above quoted manager identifies in Madrid. Personal acceptance into the Catalan community is slightly more difficult. The small questions of personal integration present challenges to managers, as John Hooper (1986) remarks:

When two Catalan speakers and a Castilian speaker are talking together, the Catalans will address the Castilian speaker in Castilian, but often as not they will address each other in Catalan - something that profoundly irritates other Spaniards.214

A manager from the Basque province commented likewise that after moving to Madrid he loved the cosmopolitan feel of the city and wished to remain there. The Spanish, as all managers, are individuals.

In the final analysis managers felt that despite the many regional, cultural and linguistic differences between regions “All of this is difficult to see in the results. It is just a different way of doing business.”

The industrial director of a national Spanish company involved in joint ventures and operating plants throughout Spain gave the view that in his experience:

There is no difference between people from different regions from the industrial point of view. There are different ways of working together,

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214 example, are often given Galician accents. In a unique practice in Catalonia films may be dubbed into Catalan, but with ‘foreign’ characters in the film dubbed into Castilian. Hooper (1987) p.235
but because of our selection procedures, our policy, we get compatible staff. In Spain there are *topicos* – prejudices against regions, but they are not relevant to business. For example look at my drawing of our factories in Spain - the manager in Huelva is from Catalunya, the doctor is from Basque, in Tarragona the manager is from Aragon and in Madrid the manager is a Basque. Everyone has moved between plants and there are no problems between them all.

However, whether there is any substantial truth in the *topicos* or not, or whether they have an impact upon workplace relations, their presence in the mindset of the manager must be accepted.

**Potential Advantages of Strong Regional Identities**

The possible disruptive effects of excessive regionalism within the workplace should not be allowed to overshadow some of the possible benefits. Within the context of the contemporary state of business development in Spain, some of the possibilities that might be suggested include:

- The close connection between people from similar areas contributing to greater cohesion within the workplace.
- The way in which this connection strengthens and facilitates management endogamy, vital to delegative Spanish management.
- Acts as an entry barrier to external competitors.
- Supports intra-regional business networks.
SECTION II. FUNCTIONAL MOBILITY IN SPAIN

This section sets out to restate and expand upon the depiction of functional mobility in Spain set out in the earlier chapter on management career paths. In this chapter the main conclusion drawn are that in Spain today the majority of managers in private and international Spanish companies have:

- Developed management knowledge through 'hands-on' experience after a largely technically orientated education.
- Advanced their careers moving up the hierarchy by moving between management functions.
- Have developed a certain management generalism due to this career pattern.
- Are often managing outside of the management/production function in which they were originally trained/educated.
- May have made the shift from production to general management.
- Expect to move between functions, or at least posts every three to four years.

As an illustration of a management highflier demonstrating a career path embracing functional changes and the shift from technical/production management to administrative management is the profile, in his own words, of a senior company manager.

I come from Valladolid, and I am 50 years old. I was trained as an industrial chemist at Valladolid University. Then gained my PhD in chemical sciences at Valladolid. I also have a MBA from IESE in Pamplona, and have taught as Professor in Valladolid.

Current company (chemicals)

- Responsible in control of laboratory production
- Then many different posts, all in the Sabiñanigo plant:
  - jefe plant
  - jefe area
  - jefe production
  - Director fábrica
Management Mobility in Spain

- Director zona
- Director industrial to Group (present position)

It is not difficult to change from production management to general management in Spain. For example the head of HRM at Opel España is a chemist by training. In our day university education was more universal – today it is more specialised. This is why there has always been the need for postgraduate courses in Spain.

In conclusion, functional mobility, or at least intra-company job moves are extremely common in Spain. The lack of business education and specialism within the educational structure (see chapter on education) has resulted in management generalism where managers supplement formal management training gained on postgraduate courses (typically MBAs) with periods of formative experience in departments outside of their formal training. As management education becomes more formalised within the educational system and management functions more systemised, the overall probability is that there will be a professionalism of management, with a corresponding demise in the number of career generalists.
SECTION III. COMPANY MOBILITY IN SPAIN

The third major aspect to management mobility concerns inter-company mobility, that is to say the frequency with which managers expect to transfer between different companies during their career. Whilst geographic management mobility is viewed by Spanish companies as a problem, and reflects a lack of flexibility within the labour market that make career paths in Spain distinct from those in the UK or North America, the lower level of company mobility is not. Company mobility in Spain is probably lower than that in the UK, but is quickly catching up. This statement, however, disguises how company mobility in Spain differs between sector and between region. The history of company mobility within the state sector is different from that of most private companies, and the degree of inter-company mobility between regions, varies throughout Spain. In this section we shall examine both of these patterns.

In Spain in general although the history and circumstances of company mobility contain regional differences, the prevailing attitude to job changing is fundamentally similar across regions. There is an acceptance that company mobility is a valid, and overall, healthy practice. In business cultures of some countries there is a discrimination against managers who change employers frequently. In the example of Spain’s Latin neighbour, France, research has demonstrated (Barsoux, 1988; Barsoux and Lawrence, 1997) that the French typically mistrust what they deem ‘excessive’ inter-company mobility. The reason for this is that career progression in France is often within one of the major companies which tend to have insular corporate cultures. A manager from another company may be viewed as having been rejected from his previous employ, and therefore be branded a troublemaker. Also the ‘selfish’ idea of moving companies solely for career progression is widely thought to be the antithesis of the attitude of a good ‘company-man’. There is some evidence that this attitude is present in some Spanish companies. A senior manager explained to me that if presented with an application from a manager who had changed companies frequently he would “wonder what was wrong with him” and “why he didn’t fit in with his colleagues.” In a similar vein he opined that in the Spanish business culture, where the relative lack of more professional, systematic management has meant the
use of trust, informal contacts and delegation as management techniques, personal
differences were a major issue:

People that don’t fit in with the team, with the boss, have to leave the
company. In this way company mobility is increased. You often find that
several of your colleagues have worked in a succession of companies
before they find one that they can settle in. This is not to say that they
were bad managers or that they caused problems, but just that their style
did not fit.

Notably in these cases there is a tolerance for ‘personal’ reasons for inter-company
mobility, rather than ‘mistrust’ as in the French case, although provinces with little
business activity may exhibit similar features. In fact, the personal dimension is often
an advantage to managers transferring between companies in Spain. The personal
recommendation is very important in recruitment in Spain (as explained in an earlier
chapter), so that prospective employers rely more upon this for forming judgements
upon managers moving between jobs than upon any ingrained cultural prejudice
against job mobility *per se*. Even in areas where company mobility is not the norm or
not frequent the situation is changing. The human resource manager for a national
Spanish company (unusually based in Seville rather than Madrid or Barcelona)
thought that the attitude was changing rapidly in the cities although many employers
in the province:

Still expect lifetime employment in the care of the ‘*mama empresa*’.

In areas where a mistrust of company mobility still pervades, the personal
recommendation sought by managers as part of the selection procedure can overcome
this and is thus the link between a new and old position.
A history of high company mobility is then not an impediment in Spain. In contrast it
is fast becoming a measure of a manager’s success. “In Spain, following the US and
UK model, there is the expectation that the most successful managers will change
companies every three to four years” (Schneider et al., 1993). Increasingly the
younger managers, with heavily Americanised business school training and a career
path aimed at the multinational companies, are anticipating highly mobile careers
between employers, even if they are not yet as reconciled to geographic mobility. Of
the seventy managers interviewed directly for this study, only three had worked
exclusively for one company and two of those were managers in large-scale INI
companies (the ex-state holding company, discussed earlier).
International companies operating in Spain, particularly North American companies,
bring with them the expectation that career paths will reflect those of the United
States. As many young ambitious managers join these companies with an expectation
to change companies anyway, the prevailing business culture can only confirm and
reinforce this.

Hierarchical Differences in Company Mobility
Whilst examining mobility patterns between management functions and within Spain
geographically we have noted that such movement is far more pronounced for high-
flyers, and for senior managers. This pattern is also evident when considering inter-
company mobility.
The most successful and ambitious young graduates are highly sought by the major
companies, even during times of high graduate unemployment and company
downsizing. With a high demand for their services the élite graduates of the Madrid
Politécnicas civil engineering course, for example, can move between a succession of
companies in a bid to maximise their opportunities and remuneration. Inexperienced
managers also find that this helps develop their career and management skills and
allows them to adapt to the generalist career that they will most likely lead if
successful.
Senior managers are also likely to be presented with the opportunity to change
companies, as headhunting becomes a more common personnel tool in Spain. Human
resource and personnel managers interviewed during the course of this project
emphasised the use of external recruitment agencies in developing a shortlist of
candidates for senior positions, typically for departmental and project heads.

Inter-Company Mobility in State-Owned Companies
During the heyday of the state sector, middle managers' careers and functions
resembled those of career civil servants more than business managers, and as might be
expected, they typically remained within their particular company for the duration of
their working lives. Any mobility that they may have experienced was usually within the component companies that made up the state holding group.

Senior managers on the other hand would often move between state owned companies across sectors. This could often lead to the kind of tensions between ‘expert’ middle managers and a senior manager with no experience of (or interest in) the actual business of the company which we have examined in the chapter on state owned industry. Interchanges between the public and private sector were uncommon, and in many cases, technically impossible. State owned companies often refused to acknowledge the qualifications given by private universities, thereby excluding many experts from working within the sector. By effectively debarring a large section of potential managers the effect was to create restrictions on company mobility and recruitment choices. This restriction is most apparent in the education field, where a block ban still exists, although moves have recently been made to circumnavigate the rules.215

Inter-company mobility in Spain has changed in the last ten years, most profoundly within the state sector. As the chapter on State owned industry made apparent, the insular world of the funcionarios has been replaced by the internationalised world of global competition and market orientation. The career path within these companies has changed considerably, and the previous low levels of inter-company mobility have also changed. The primary forces in increasing inter-company mobility within the sector have been:

- Somewhat increased geographic management mobility.
- The personnel requirements of international companies.
- The privatisation of many former state-owned companies.
- The effects of competition upon state-owned companies, including re-structuring and market orientation.
- Replacing internal promotion and political appointments in state-owned companies with the hiring of external managers.
- The need of de-employed middle managers to seek employment in other companies.

215 See the chapter on education where information is giving showing how some large private universities are now having degrees ratified by public universities, thereby gaining public acceptance.
As previously and currently state owned companies have been opened up to the labour market, inter-company mobility has increased. The shake up of the public sector has created opportunities for inter-company mobility as companies seek to appoint managers with experience in the private sector in order to infuse 'new blood' and 'dynamism'. A job is no longer a 'job for life' within these companies. The situation is also similar to the transition, further advanced, in other large corporations such as those in the banking and financial services sector, which also shared many of the protected characteristics of civil service rather than a market orientation.

Regional Differences in Company Mobility

In Spain the amount of manager mobility between companies varies between the autonomous communities. The reasons are readily accounted for in terms of business activity: in many respects the lack of mobility within the provinces has a very simple explanation. The R&D manager at a milk processing and distribution company based outside Granada explained:

There is little mobility between companies here, because there are so few companies.

Catalonia and Madrid, with 66% of registered companies between them, obviously offer far greater chances of company change for managers than Extremadura. In regions where there are highly developed industrial clusters, such as Catalonia and the Basque country, mobility may be higher as managers change between companies and suppliers in related fields. In this environment headhunting is an increasingly common mode for managers to move between organisations.

The nature of business within a region or area also plays a part in inter-company mobility. As mobility was more limited between the public and private sectors, areas with mainly state industries historically have lower rates of mobility than regions with more private companies. This tendency is less marked in the current business environment, and in fact as privatising businesses are aggressively headhunting key managers the tendency may have even been temporarily reversed.
Company Mobility Against Geographic Mobility

Perversely, some instances of geographic management mobility reflect the problems with geographic mobility that we have examined in this chapter. Several senior managers who had accepted geographic moves to enhance their experience and further their careers then sought to change companies in order to re-locate back to their home region. One example of this can be illustrated by the testimony of a production manager at a successful Spanish packaging company located in Seville. The manager started his career in Seville, and then as he changed between functions within his first company he was offered promotion in exchange for transfer to the Madrid plant. After working his way up to plant manager in Madrid another company offered him a senior, and more lucrative, position in their company in Valencia. Following a series of company changes he finally decided that “it was time to come home” and “be near my mother and family”. Thus he sought a job in Seville which resulted in his current appointment as production manager. He had played the game for promotion, and after gaining the rewards, set his sights homeward. This case was not uncommon for senior managers with a history of geographic mobility. For many “returning home” was always a career aim for which changing company is viewed as valid means.

A Catalan manager who left his native Barcelona to work in the town of Manresa, located some 50 km Northwest of Barcelona, gave another example of this sentiment. Despite marrying a local girl he ‘had to’ return to Barcelona once he had gained some experience and developed some employment history.

This evidence given by managers accounting for the strategy behind their company moves suggests that not all company mobility indicates that the labour market in Spain is becoming the same as the labour market in the UK. The overall trends do tend to support a broad convergence, but it is always important to note local distinctions and accept that although patterns may be superficially similar between countries, the underlying causes and consequence may be different.
CHAPTER TWELVE: CREATIVITY IN SPANISH MANAGEMENT

Creativity in management is an interesting but elusive subject, and one of increasing importance to the modern firm (Peters, 1993; Best, 1990). The increasing competition in international business has partly undermined the legitimacy of ‘traditional’ large vertically integrated companies, and caused leading firms and management academics such as John Kao (lecturer on creativity and organisations at Harvard Business School) to consider alternative organisational forms, innovation and creativity as new forms of competitive advantage. Michael Best (Best, 1990) sets the underlying economic agenda for the manager’s increasing interest in management creativity:

The pressures to design productive organisations with the capacity to integrate thinking and doing and promote teamwork are increasing. The reason is that Schumpeterian competition is turning into time competition. Time competition has entered in two dimensions that are beyond the reach of the hierarchical firm. The first is about process time, or the time that materials take to be processed within a plant. The second is an extension of Schumpeterian competition: economies in time in the implementation of product design.216

Creative managerial and organisational solutions are therefore of great interest to modern companies (LaBarre, 1994). However, a major problem has been the nebulous and confused ideas surrounding ‘creativity’ in the management context, as acknowledged by Bob Fitzpatrick in the cover story to Training, a business journal. He writes:

Creativity has become an important issue for many executives. Unfortunately many do not have a clear definition of what constitutes creativity, therefore frustrating efforts for creativity in the organisation.217

Further to this, many managers are not only confused by creativity in a work context, but may even prevent creativity because they may consider it a threat to current

216 Best (1990) p.14
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administrative practice. An article in *Industry Week* magazine illustrates the ambivalence of the situation for many senior executives:

Today's more visionary managers see creative ability as absolutely essential to a company's success and new ideas are like mental capital. Companies are looking at ways to foster creativity instead of stifling it because it is difficult to manage.\(^{218}\)

In the context of the present study the questions are:

- Whether creativity in Spanish management is important.
- If so to determine if it can be defined and understood in a way that is useful in a business context.
- To identify the significance of creativity in Spanish management.

There is an established case for considering creativity in Spanish management as a relevant research issue. Firstly many papers or articles on management in Spain mention creativity, often within a general heading of 'Latin creativity'. Most of these descriptions tend towards the general:

Mediterranean executives are more creative and imaginative. In international work meetings, the Latin leaves the framework of thought, suggests new ideas and contributes original solutions. Art, fashion, aesthetics and cuisine are marks of Mediterranean sensitivity and creativity.\(^{219}\)

The general acceptance of creative Spanish management in the (sparse) literature was supported by the interview study with practising managers. When asked to comment on any exceptional or prominent feature of Spanish managers' abilities within their experience, many Spanish managers cite creativity as one of their attributes. The idea that Spanish managers may be able to bring something specifically Spanish to

\(^{217}\) Fitzpatrick, Bob "It Takes all Kinds: Creativity in the Workforce" *Training*, May 1997, v.34, n.5 pp.32-40

\(^{218}\) LaBarre, Polly "The Creative Revolution" *Industry Week*, May 16\(^{th}\), 1994, v.243 n.10 pp.12-18
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management by virtue of their cultural background is significant and interesting. However, because there is a widespread perception that Spanish managers are 'creative', this does not necessarily mean that it is true.

Whilst there is a case to be made for the aesthetic sensibilities of Latin design and such observable 'creativity', this study seeks to ask whether 'creativity' can be defined and understood in operational and management terms. This in turn provokes the question whether the underlying factors fostering this creativity are transferable.

During the interviews managers who had suggested that Spanish managers were particularly creative were asked to define how this manifested itself, and asked to give concrete examples from their experience to contextualise this information. From these interviews and work periods with practising managers it is clear that creativity encompasses several different concepts and practises. The study identifies two main areas of creativity, firstly artistic, and then a broad category of operational creativity. Operational creativity can be broken down into subcategories, but all are inter-related.

The identifiable forms of creativity in Spanish management practice were:

- Artistic creativity.
  - Artistic sensibilities and design flair.
- Operational creativity.
  - Interpretational creativity.
  - Organisational creativity.
  - Reaction time creativity.

Not all Creative Equally

The creative traits manifested throughout the study were identified by interviews with managers across different functions within a company, and across different industry sectors. However, there were two significant sectors where creative management was distinct from that described in the following section and a certain proviso has to be made in order to contextualise the discussion of Spanish creativity.

As the reader may expect, management creativity in the larger ex-INL firms has been lacking. As discussed in the chapter covering the INL and the state sector, national industry suffered excessively from the acknowledged problems affecting state
industry, summarised here by the Spanish management academic Juan Carlos Jarillo (Jarillo, 1993):

The ills of vertically integrated companies: bureaucratisation, lack of innovation, bloated costs, unresponsiveness.\textsuperscript{220}

Whilst we have discussed the changes to the state sector previously in the chapter on the INI, it is fair to say that in general the newly privatised ex-state sector companies now resemble more closely the typical private companies and MNCs in market orientation and aims, or are changing in that direction. On the other hand, large companies still within the public domain, and those that have been privatised very recently, can be typified by a lack of management creativity, discretion and also, accountability. The distinction between large and small state holdings is valid because many smaller companies taken within the state umbrella remained as they had before nationalisation or acquisition. In these smaller companies management structures are often similar to companies that remained in the private sector. For a more in-depth exposition of the changing management structures and dynamics in the Spanish state sector reader are invited to refer to the chapter upon the Spanish economy and the state sector (chapters four and five).

The second distinction that must be drawn concerns some family owned companies. The organisation and management of family firm's structure differs widely depending on the history of the company, its size and the sector in which it operates. Some of Spain's multinationals are family owned, as are some of its most innovative and creative smaller companies. These, however, are atypical of the majority of family owned firms. The majority are small, with 4-5 employees, and lack professional management. Many of the family firms which have grown into medium sized companies still reflect this lack of professional management, and thus lack the foundations of creativity identified in this chapter – management endogamy, autonomy, rapid communication and mutual trust – are lacking. This is that as authority is confined to family members operational creativity is hamstrung. Despite this many of these family firms do display aspects of 'artistic creativity' which we shall examine in the following section.

\textsuperscript{220} Jarillo (1993)
Artistic Creativity

As indicated by the name, this encompasses the artistic and aesthetic concerns. The idea ranges from the concrete to the abstract: from the belief that in design terms the Spanish may have an artistic flair which helps them in product design, advertising and presentation skills, to the abstract where the artistic sensibility encompasses social relations. Certainly managers have given me many examples of this. Managers may cite the strong artistic tradition in Spain, for example in Catalonia the legacy of significant artists and movements, through modernismo to Gaudí, Dalí and Miró. Of course Andaluz (Andalucian) managers can lay claim to Pablo Picasso “as probably this century’s most creative individual”. Often managers allude to the wider idea of a ‘Latin’ artistic temperament and aptitude.

A German human resources manager of a multinational company gave me an example of this artistic bent. The company was in the process of organising management team working, and wished to have the managers to participate in a teamwork exercise which would serve to disseminate the teamwork message and spirit through the company. Instead of producing a poster or information leaflet as had managers faced with this task at the German based plants, the manager explained to me the Spanish managers presented a very creative interpretation of the brief, which was to reject a conventional form of work. “We can’t say ‘teamwork’ - we must live teamwork” they told him, and the symbolic representation of this was made in the form of a jigsaw puzzle in which all the company goals were part of the puzzle. For the puzzle to work all pieces must be present, and each team member could contribute his part of the puzzle. The manager clearly identified this artistic temperament and huge enthusiasm as characteristic of the Spanish divisions of the company – and “very different from Germany.” A framed copy of this jigsaw puzzle took pride of place on the manager’s desk.

Frexinet, the major Cava producer and largest producer of sparkling wine globally, identify creativity as one of the key reasons for their success. Part of this creativity concerns the aesthetic creativity of their designers and marketing people. The company has a wide range of unique bottling and packaging solutions, which form the backbone of their differentiation strategy. The solutions are more complex than simply striking packaging, as the company has invented and refined novel processes. For example, their large volume selling Cordon Negro Cava is sold in a milled black glass bottle. The whole technology – the process of producing and the machinery
involved in producing a black milled bottle – was developed by the company after they developed the idea.

Operational Creativity

Whilst the artistic side to creativity has been suggested by existing literature and is easy to comprehend, the present study sought to determine whether there was any more tangible aspect in operational terms to Spanish creativity. As described above many managers defined their perception of creativity in artistic terms. However, when asked to give the interviewer concrete examples of creativity in their personal managerial experience, many gave examples which were technical and which concerned business organisation. These examples concerned a creative approach in managing around and within the organisational hierarchy. In broad terms the examples were fundamentally based upon the system of personal relations and authority patterns as discussed in the chapter on 'work, authority and hierarchy'. In the context of this chapter, a further case could be made for creativity in human personal relationships in management, emphasising the flexible and fluid communication and interaction between management members. We examined how this concept manifests itself in depth in the section detailing the 'human face of Spanish management', and this chapter draws upon that information to show how creative management practices are related to the 'human face'.

In addition to identifying an operational aspect to management creativity, in response to the examples furnished by managers, further conceptual refinement was possible. Three sub areas of 'operational management creativity' could be identified during the study and will be discussed in the following section. There is a close relationship between the three sub-areas identified. The sub-groups examined in the next sections are:

- Interpretational creativity.
- Organisational creativity.
- Reaction time creativity.
Interpretational Creativity
As we have discussed in the chapter upon ‘authority and hierarchy’, Spanish managers often related how they felt empowered by the confidence placed in them by their superiors, and by their innate sense of self worth. This gave them the freedom and confidence to take quick decisions without consultation with their superiors, especially in the interpretation of orders and company directives. Managers gave achievement greater priority than conforming to regulations. As also mentioned in the section on authority structures, there is acceptance by some companies that directives will be ignored or adapted, and in the words of a central executive “this is the flexibility in the system.” Examples of this kind of creativity given by managers often relate to individuals’ independent action. Spanish managers are often willing to take responsibility for their decisions when they feel empowered by their superiors. The testimony of a government education and management training official gives an illustration to the kind of creativity that independent action may facilitate:

For the Olympics in Atlanta – the home of management theory – the organisation was terrible. When the Olympics were here (Barcelona) in 1992 my son was part of the organisation and noticed there was a logistical problem getting people from one part of the city to the other, especially when people were in the wrong place. By independent thought he organised a bus service to remedy this. There was lots of creativity like this.

Organisational Creativity
The second form of creativity identified was Spanish managers’ ability to change or circumvent the organisational structure or hierarchy in order to accomplish tasks. The majority of Spanish managers interviewed for the project felt comfortable in unstructured situations. Many related to the interviewer that they preferred freedom to act independently and to have a variety of changing tasks because of the personal challenges it created. “I do not like routine, I like to solve each problem in a new way”

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This organisation is a Spanish multinational. A vertically integrated steeply hierarchical company, the manager explained to me that although the head office set extremely rigid rules, called normas, they expected that managers at plant level may well ignore any company directives that interfered with their operations. Hence the discretion which managers took upon themselves was “the flexibility within the system.”
one senior production manager told me. Because of this ease with fluid situations managers also accept this situation in organisational terms: vague job descriptions and organisational definitions, open ended business goals. This flexibility leads to a culture of organisational creativity, where managers are willing, and enthusiastic, to change the organisational chart quickly to exploit new situations. An example of this would be a large Spanish firm that identified some new applications for its products and quickly restructured the company in order to enter this new market. The lack of firm boundaries and divisions within the organisation helped to facilitate rapid response, as did a management keen to embrace new ideas and challenges. The same company also expanded internationally because of their willingness to think creatively in organisational terms. A senior engineer within the company was originally from Chile, and when he spotted an opportunity for the company in Chile (railway privatisation) he suggested that the company expand internationally. The organisation was flexible enough to establish themselves quickly by using their manager’s contacts and to plan ‘on the hoof’.

Another company in the same sector related similar evidence, and explained that although this made their organisational structure very rapid to respond to external changes and pressures, it could also lead to an overall lack of direction, long term strategy, and clear organisational goals.

Reaction time Creativity
The majority of the concrete examples given by managers concerned response times in comparison with other country offices in multinationals, and in comparison with international competition in private business. A typical example was given by a British multinational company in the industrial cable sector where the Spanish production management of the Spanish operation stated that their development times were a fraction of lead times in the UK. As in most of these examples the main reason given for this difference was the lack of convoluted hierarchy due to managers using their discretion to make decisions throughout the hierarchy without heavily systemised reporting procedures or having to wait for confirmation from their seniors. This also influenced the second major reason, the lack of reporting and red tape in the organisation’s decision making process. The direct lines of communication and quick decision making process typical of modern Spanish companies are made possible by
Creativity in Spanish Management

the personal relations and conferred authority as described in the section on authority relations, and by their relative small size.

Managers of MNCs present in Spain often cited examples of how the development and production times in the Spanish organisation were shorter than in the other parts of the organisation. A manager for a British MNC in the automobile engineering supplier sector described how the Spanish company could make rapid changes to production and designs because of this creative flexibility. However, when comparing the solutions to those offered by the company’s main engineering department in Germany he also emphasised the negative aspects of ‘creative’ flexibility:

We can re-design and make production changes very quickly.\(^{222}\) When there is a problem we can act instantly and implement solutions without all the complicated procedures at the German plant. But the solutions we make are workable solutions, they are not the optimal solution. Although the German company is far slower, the systems help develop a better solution. The organisation needs quick results though, and there is not often time to wait for the Germans and British to eventually implement changes.

As a summation of creativity, there is a good anecdote known to many Spanish managers, which was first related to the interviewer by the regional head of a financial institution in Castille. The example serves to illustrate many of the creative elements of the Spanish manager, both positive and negative: an artistic temperament and the ability to work quickly and to assume individual responsibility:

There was an international management training programme at INSEAD (the international business school near Paris, France), and there were four national groups asked to build a monument from simple materials – paper, scissors and glue – in fifteen minutes. The German group set about

\(^{222}\) The production manager for a Spanish automobile company under German ownership gave an example of how Spanish companies are able to implement design changes quickly. A vehicle that they produce in conjunction with the German parent company broke into a higher taxable category in the Spanish market because of its low height. By quickly adding an integral roof rack to the design the company was able to take advantage of tax breaks for high vehicles classified as vans). The German company would have required a lengthy review process and
work efficiently, a leader appointed himself and guided the operation. The American group elected a leader, and proceeded to work from a plan. After ten minutes the Spanish group were still arguing about who should be leader. They all wanted to be leader and refused to discuss it or work under each other. With only a few minutes left one Spaniard seized the scissors and did the work by himself. And you know, it was the best one.

A Spanish Competitive Advantage?

New industrial economics and business economists now identify an important area of competitive advantage for modern companies that are relevant to the debate on creativity in Spanish management. The key concept concerns how management creativity, such as the use of networks and fast management reaction times, can lower transaction costs. In addition to this many management academics are focussing upon the importance of innovation and development times in multinational organisations. In their recent book, Nohria and Ghoshal (Nohria and Ghoshal, 1997) develop the idea of the MNC as a differentiated network. If a multinational company can use a national organisation’s strengths then this may be a major competitive advantage to the organisation of a whole.

As quoted in the introduction to this chapter, business economists such as Michael H. Best (Best, 1990) identify areas where the Spanish ability for reaction time creativity can be a competitive advantage. The supposition holds for both Spanish firms in general but could also apply equally for MNCs with operations in Spain who are increasingly able to utilise this tacit advantage to help other company group members. This fits in well with the ideas of academics investigating competitive advantage and the MNC (Nohria and Ghoshal, 1997; Bartlett and Ghoshal, 1989). In several interviews senior Spanish MNC managers and senior MNC foreign national managers gave me examples of how this is happening in reality.

First some Spanish companies do recognise that they have a creative management advantage. Spain’s largest construction company builds and operates toll roads in the United States of America in conjunction with the American Federal government. The financial vice-president explained to the interviewer how creativity was a key development time whereas the Spanish company was able to take immediate advantage of the opportunity it identified.
competitive advantage as they were able to think creatively strategically, work flexibly and react quickly.

Second there is evidence that MNCs use the creative capacity of their Spanish divisions. Both British and German MNC executives interviewed explained that there were many cases where the parent company used the fast reaction times of the Spanish company to achieve quick results.

In summary many of the examples show how Spanish companies, be they nationally owned or under foreign governance, are less constrained by their organisational structure and hierarchy. In this way they work well within the current business environment:

Current competitive circumstances simultaneously demand levels of quality, low cost, innovation and fast response times that traditionally organised companies cannot deliver.\(^{223}\)

**Innovation as Opposed to Creativity**

One of the major problems with the existing literature on creativity in management is that it ignores new product innovation. The reason for this is relatively simple – Spanish companies have a poor record in terms of innovation and therefore need to address this as a separate issue. The director of a quasi-governmental employer's association explained:

We have a real problem with innovation. Maybe we are creative in marketing or implementation, but we do not come up with the concepts. We lack the capacity to develop new technologies.

In the chapter on education and R&D we have seen how this is manifest in the low level of R&D expenditure and patent applications in Spain. Therefore whilst it is relatively true that while Spain suffers in terms of establishing new markets, and new product innovation, within established markets and product design and development they are very strong in terms of time competition. The Spanish inclination to manage creatively does not mean that they are innovative in terms of new products and

\(^{223}\) Jarillo (1993) p.5
markets. The usual confusion between the term 'management creativity' being used in relation to product innovation may explain, when coupled with the lack of empirical evidence, how the literature has not identified the creative elements to management in Spain found in the execution of this study.

**Summary: The Role and Function of Creativity in Spanish Management**

In this section we have identified that there is substance to the idea that Spanish managers are creative. Further to this we have identified that beyond the narrow conception of 'artistic' creativity there are definite areas in which Spanish business organisation can be said to be creative. The key concepts identified under the heading of operational creativity were:

- Interpretational creativity.
- Organisational creativity.
- Reaction time creativity.

These concepts allowed Spanish managers to manage flexibly and to react very quickly to changing priorities whilst minimising bureaucracy. In line with current thinking on business organisation and business economics the creative element of Spanish business organisation and operation can be thought of as a highly effective tacit advantage. This was backed up by testimony from managers both in Spanish owned businesses, Spanish managers of MNCs operating in Spain and by MNCs head offices with businesses in Spain. Organisations saw the creative capacity of their Spanish subsidiary companies as a resource, especially in rapid product development.

Whilst this strength reflects the positive side of the business environment in Spain, there is also a negative side. The Spanish 'creative' solutions were often thought, by Spanish managers and foreign managers at MNCs, as being fast but not optimal solutions. There was also a perception of the risk in the lack of systematic checks and control where managers were operating with little supervision. More of a concern than this however was the acceptance that these organisational forms, or ways of operating within organisations by using different (e.g. informal) communication channels could undermine the formal hierarchy and "descend into chaos". There are examples where this has happened. In one case a Spanish-German joint venture in a DIY (do-it-yourself building supplies) superstore experienced problems when upon opening day
the till staff had not been trained to take credit card transactions, crippling the store. Communication had not been checked and without management systems to ensure feedback and control the situation had been allowed to go on unchecked. Personal problems between the Basque foreman and the management team mainly from Madrid had not helped.

Transferable?
Of wider interest to management theory is the question of whether the creative practices outlined here are transferable. The purpose of this thesis cannot attempt to encompass a definitive answer to this interesting question, but can offer some thoughts. Firstly, the underlying system of direct communication, trust and delegation that facilitate the management practices discussed are to a real extent culturally determined. That is to say that they depend on management endogamy and work within the Spanish business environment because Spanish managers are socialised into accepting a series of norms and values which helps them work together. The chapter on management selection and recruitment outlines this process in some detail. Spanish managers are also "present with whole of self" at work, and this affects their attitude to the job and to creativity. By identifying so closely and personally with the task in hand, and not drawing a distinction between their personal life and their professional life, they are committed and motivated to finding solutions almost for personal satisfaction.

It could be tentatively suggested that these practices are culturally embedded and would not be easily transferable to a different cultural environment. Having said that, some creative management systems developed by Spanish managers in Spain have been used by MNCs outside Spain and have been extremely successful. The most high profile case being the radical inventory control system devised by Ignacio Lopez for Volkswagen AG and General Motors (GM) – a system that contributed to the GM's turnaround in the 1990s.

Finally creativity in Spanish management is to some extent determined by environmental factors, and has been a serendipitous result of weaknesses elsewhere in the business culture. The three main determining factors are as follows:

224 Galtley, Lessem, and Altman (1996) p.44
225 Opinion is divided as to the Lopez's methods, but he has achieved notable results.
First, Spain’s small average firm size has required managers to work with limited human and organisational resources. Creativity in this sense has stemmed from “making the most of what you’ve got”.

Second, many MNCs and large Spanish companies have downsized and de-layered in line with current business practice, in some ways reinforcing the above point concerning limited resources. Where MNCs have entered the Spanish market by acquisition of a small firm or by way of greenfield start-up they have often done so on a small scale, resulting in Spain’s small company size even in terms of MNC size.

Third, the lack of professional management and modern management systems in Spanish companies before the mid-1980s contributed to the high levels of management endogamy and horizontal career paths between functions which has enabled managers to have a wide network base, and develop the generalist experience central to the autonomy underpinning the creative management style depicted in this chapter.

In summary there is a well-supported case for thinking that Spanish managers can work creatively, and that may be a competitive advantage to the company for which they work.
CHAPTER THIRTEEN: THE 'HUMAN FACE' OF MANAGEMENT IN SPAIN

One highly distinctive feature of Spanish management is the prioritisation of individual human values - termed 'the human face of management' by managers in conversation. A senior financial manager described his definition of the 'human face' in the workplace in these terms:

In general Spanish managers are the same as any managers, but I can see very clearly our 'human face'. To us human relations are very important, we must have confidence in people we work with, not only in the workplace, but with them out of the workplace, by knowing them and their families. It is possible to have friendly working relationships with people up the hierarchy, across departmental boundaries. These relationships are very spontaneous, not structured, and are evolve around chit-chat, based around sport or current events. The negative point is that this sometimes makes it hard to maintain a structured meeting because of the informality.

Managers and staff who have experience managing in other companies or foreign managed multinationals emphasise the difference in atmosphere created by the 'human face' quality. A Catalan secretary who had lived and worked in the United States, then for an American company in Barcelona, and who now works in a Spanish owned and managed company, explained how the difference in inter-personnel relations was the most significant difference from her perspective. In the Catalan company she felt as though she was valued as an individual, whilst in the multinationals she perceived that she was valued only as a secretary, one of a replaceable many. A senior manager with experience in America, Germany and Spain concurred with this, and distinguished the 'human face' from workplace democracy. Whilst he found that in American companies people treated each other equally, in terms of title and access, he emphasised that “although it seems very democratic, behind this it is highly hierarchical. People's importance depends on their rank. We are more informal in accepting people as themselves.”
In terms of address, the Catalan and Spanish languages provide for formal and informal address systems. In the workplace in Catalonia, more than in the other Spanish regions, people address each other in the familiar. It is commonplace for managers to use the familiar form between each other, and where the formal system is used it is because of the individual not because of their relation in the hierarchy, except at the very top levels where the deferential address is used. In this context it is useful to repeat two of the quotes used earlier in the thesis that touch upon the nature of interpersonal relationships in the workplace:

We call the head of department *tu* (informal address form), but the head of the purchasing department *usted* (formal address form). He's slightly less approachable. Overall, it's a question of personality not rank.

A human resource manager elaborated:

It is not normal for us to use *usted*, but it depends on the age, the rank and on the person. For example, everyone uses *usted* with the managing director, but *tu* with most subdirectors. I use *tu* to this one, and *usted* with this one - we are the same age and rank but I know him less well. The sub-director here everyone calls *usted*. It depends on the person.

The familiarity often engendered by the use of the familiar form illustrated the democratic spirit between individuals, rather than form as a familiar form of politeness. The novelist Gabriel García Márquez perhaps hit upon a reason and characteristic of the Spanish and Catalonian 'human face' as he determined that "national honour is founded upon the virtues of decent modesty."²²⁶ A manager with 20 years of experience managing in Germany surmised:

In Germany there are barriers between people – big barriers. In English you call everyone 'you' but Spanish and German have familiar and polite forms. Although German has the informal address form; it's not the same as the Spanish use of the familiar. We might be calling people *tu*, and the

German calling each other *du*, but it's very different in mentality, when we do it. *Usted* is used differently in Spain than in Germany. There it is a barrier. It is a difference of closeness. They (the Germans) are colder.

**Egalitarianism in Spain**

A notable feature of some Spanish companies is the egalitarian atmosphere. This is particularly marked in companies which were never part of the state sector, or tightly family managed. The study found that this atmosphere was especially marked in Catalonia, because of the region's particular recent history of repression under Franco and subsequent distrust of authoritarianism. In the present section we will develop this theme, drawing mainly from observations in Catalonia. Underlying this Catalan manifestation of equality are the broader Spanish values founded upon individualism and personal honour. When the distorting structures of the state sector bureaucracy and residual aristocratic tendencies are not present, many Spanish companies display similar working environments.

One feature of human relations within Catalan firms is the egalitarian atmosphere (Mowatt, 1997). Ranks and titles are not made prominent, and as has been noted there is a certain informality to face to face meetings with people. This manifests itself throughout Catalonia and can be seen within the corridors of the Universitat Pompeu Fabra where academic's offices are named without reference to their title and status. This is not so in more status conscious regions of Spain. Part of the institutionalised reason for this aversion to official status differentiation comes from the memory of the Franco era of repression, where authority figures were associated with the oppressive regime. In this way a certain comradely solidarity developed where using the Catalan language became associated with passive resistance to the regime, and a rejection of its values. In general there is less obvious differentiation in status amongst managers in the modern workplace in Catalonia than in other regions in Spain, and as was the case in the INI dominated and family sectors of the economy in Catalonia previously. The egalitarian spirit manifests itself in several surprising ways. It is notable in Spain in general, and especially in Catalonia, how easy it is to contact senior managers

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227 For example, the head of the Pompeu Fabra business school, Albert Carreras, simply has his name on his door. This is not typical in academic institutions outside of Catalonia. A profesor titular (senior lecturer) in Madrid, for example, not only had his credentials on his office door in the university, but also on his post-box in his *piso* (flat). This was to make his neighbours aware of his status.
The ‘Human Face’ of Management in Spain

directly. During this research the interviewer was usually able to gain direct access to senior managers and even board members by telephone. Following the general pattern even top echelon executives were ‘reasonable and talked as individuals’, as they would express it, and they could be ‘convinced by reasonable argument’. With managers confident to take their own initiative and as ‘each man is his own king’ talking to managers as individuals was invariably possible (as we have noted in the chapter on status and hierarchy). Only two companies approached to participate in this study declined, and in one of these a useful meeting was held during which two senior managers granted a hour long interview in order to explain that they would not be granting – officially – an interview with the company! Internal politics and bureaucracy were not used by Spanish companies as an excuse not to grant interviews, as has been noted in French organisations (Barsoux, 1988). Also in stark contrast to the French example were written communications with Spanish companies. Whilst French organisations typically use formalised letters and standard expressions, there was very little written communication with Spanish companies at all. Spanish managers preferred to arrange matters directly, by fax or telephone, and formal acceptance was brief and concise. An example is reproduced on the following page (Exhibit B), and reads:

Dear Mr. Mowatt,

I received your letter dated October 9th in which you explain that you are researching a project on business management in Spain.

I await your telephone call to fix an interview date and time, with myself if possible or otherwise with one of my colleagues.

In the meantime, my warmest regards.
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

OFICINA CENTRAL

SR. SIMON MOWATT
UNIVERSITAT POMPEU FABRA
c/Ramón Trias Fargas, 25-27
Despacho 148
08005 – BARCELONA

MADRID 24 de octubre de 1996

Estimado Sr. Mowatt:

He recibido su atenta carta del 9 de octubre en la que me explica el estudio que está realizando sobre la dirección de empresas en España.

Espero su llamada para concretar una entrevista y le atenderemos bien yo, si me es posible, o alguno de mis colaboradores.

Mientras tanto le saluda muy atentamente,

[Signature]
Fdo. José M. de la Orobe

Exhibit B Acceptence and confirmation letter granting an interview in a Spanish company.
The ‘Human Face’ of Management in Spain

The Different Faces in Spain
In all areas of Spain the ‘human face’ aspect is notable in workplace relations. There are notable variations in the extent of the phenomenon that follow the usual division between region and sector as we have intimated previously. There are also differences in the emphasis and utility of the ‘human face’ aspect. Several managers with experience of working both in Madrid and Barcelona notice a stronger social hierarchy in Madrid, and less of an egalitarian spirit. A managing director found in his experience that “in Madrid there is a great distance between the employees and the managers, and between managers themselves. Here (Catalonia) there is a great contact.” He thought this difference was representative of the different backgrounds of the two cities:

There are historical reasons for these differences. In the past the upper classes in Madrid worked to achieve a high social status, and to be able to show this. But in Catalonia people work to work. There is a different mentality. Here there is a strong middle class — we have a strong work ethic. In Madrid there is just the upper classes and the workers.

We have already described how status and authority are more hierarchical in state sector companies, family companies and in regions where social influence of the aristocracy are still prominent (Madrid and the Basque Country, for example). However, the main point of this chapter is the similarity of the underlying values across Spain and different business sectors. One of the underpinnings of this ‘human face’ is the Spanish attitude towards time. We shall explore this in the next chapter.
Although when Albert Einstein wrote that time is relative he was thinking of physics, the phrase is as important when dealing with human relations. Different cultures have different perceptions of time. In the United Kingdom, time is often viewed as an absolute value. In Spain time is prioritised differently, with increased emphasis on time as a resource for people. That is to say that whilst a British person often would consider a meeting with a person to run from one concrete time to another — the clock being the determining factor — Spanish managers give more emphasis to the meeting as an encounter between people. The presence of people thus defines the meeting. This is not to say that their perception of time is not acute. In general, time keeping and the importance of punctuality is important to Spaniards, but they place more emphasis on other values (for a further discussion of this refer to the chapter on communication and meetings).

Mañana Never Comes

The Spanish conception of time has been expressed diagramatically after the work of Cottle\textsuperscript{228}, (Cottle, 1967). The diagram suggests that culturally the Spanish may give a lack of emphasis to the future, and management case studies have found empirical evidence for this, in addition to the prevalent anecdotal evidence. One oft cited belief is that a typical Spanish reaction to decisions is to put them off until mañana (literally “tomorrow morning”\textsuperscript{229}). The mañana attitude can be interpreted as dismissing work pending into an indeterminate future, clearly not connected to, or as important, as the present.

\textsuperscript{228} Source: Cottle, Tom “The Circles Test; an Investigation of perception of temporal relatedness and dominance” Journal of Projective Technique and Personality Assessments, No. 31, 1967 pp.58-71. The size of the circle corresponds to the perceived importance of the time period to the individual, and the degree of overlap the significance of each temporal zone upon the other. The British result gives equal sequential emphasis to present and future, although both are seen as more closely related than the Spanish case related. The North American example gives great greatest emphasis upon the future, whilst that of France looks relatively more to the past. Finally, for comparison to another concept of time, the model suggests that Japanese society views time as concentric: that is that time cannot be separated into separate zones at any one stage. For a further examination of this concept see also Trapp (1994, unpublished PhD manuscript.)

\textsuperscript{229} The term mañana has been coined as an expression to sum up a perceived lackadaisical attitude towards work commitments and obligation, and is often the focus of mockery by the Spanish themselves, especially in relation to any form of bureaucracy. The infamous phrase used is “vuelva usted mañana” — Come back tomorrow.
The diagram also helps explain a contradiction within Spanish companies' future plans. Although many express a commitment to the future (especially in regards to EU trade and competition), many companies have not embraced any formal programme or developed strategic planning. This can be a frustration for non-Spanish managers, and increasingly US trained Spanish managers.

Despite this, there is a different cultural method of forward thinking at play; Figure 2 reveals that the future is not directly connected to the present. Traditional Latin managers regard detailed planning as a distraction, as the business goal is all important but the business, political and social environment may change. This underlines the Spanish predilection for fatalism, and the lack of control that they feel they have over their environment. The history of state intervention and neo-corporatism has reinforced this mind set. Hofstede (1980; 1991) maintains that Spain has a high uncertainty avoidance rating, signifying that Spaniards prefer not to plan for the future as it is not only too removed, but beyond their scope of control. In this

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230 Concepts to time can affect the nature of business at all levels. For example, it has been suggested (William Eddis, a freelance consultant and sometime lecturer at Loughborough University, in conversation with the author, and at lectures, 1994; 1996) that the strength of Japanese design methods can be partially ascribed to their concentric conception of time that allows them to conceive new ideas throughout the design process, and remain flexible. In a country such as Belgium, the three zones (past, future, present) presented in the Cottle (1967) model are typically discrete and equal. With such a sequential arrangement the future is considered as distinct, yet important, and impacting upon the present.

231 A typical example of this was given by a Spanish manager trained in America, who simultaneously expressed frustration at the lack of definite timetables and organisation in both the Spanish organisations that he dealt with, and with the American subsidiary he worked for in Spain, whilst emphasising that the main advantage of the Spanish is their ability to improvise and innovate without these aids.

232 Uncertainty avoidance is the dimension defined by Hofstede to describe the extent to which a society or culture tolerates uncertainty, ambiguity, tolerance of unstructured situations.
way many American trained business consultants underestimate the seriousness of traditional Spanish companies future plans, criticising Spanish business for lacking strategic vision and implementation plans.

Spaniards have been typified as being synchronic, rather than strictly sequential, in their conception of time. "Synchronous cultures are less insistent upon punctuality, defined as a person arriving at the agreed moment of passing time increments. It is not the passing of time that is important, but that several other cultural values vie with punctuality" (Trompenaars, 1993; 112) Time is afforded a social role in relations with people, time being a commodity that can be spent with people depending upon the nature and strength of relationship. The quality of relationship is therefore dependent upon the time afforded to people.

During the study there were many examples noted of time boundaries being ignored in favour of paying attention to individuals' needs, and in consequence many meetings overrun their time schedule. A German manager said of his mainly Catalan management team: "they are not used to, in general, giving concrete time schedules.”

A British management academic noted that in comparison with managers from other Western European counties, Spanish managers seemed to feel under less pressure from time. Spanish managers work longer hours on average than British managers, and have a deserved reputation as hard workers by those that know them.

There is a general feeling held by some Britons that the Spanish do not work hard, and this can lead to conflict (Bruton, 1994) in business relations. This view is given some substance because of the different timetable used by Spanish companies, and the idea that the siesta (after-noon sleep) is still an institution in Spain. In fact, very few Spaniards outside of the deep south still take the siesta today, although there are cultural differences between the regions. In a national debate concerning bringing trading hours into line with Europe 70% of Catalans favoured longer opening hours, whilst only 44% of Andalucians were in favour. The Spanish business time schedule (horario laboral) is usually as follows:

- 8:30 am – 6 pm, usually with up a one-hour lunch break, or:
- 8:30 am – 7 pm, usually with a two hour lunch break at 12 pm

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233 On occasions the interviewer found it very difficult to end an interview at all, if a manager did not have a concrete meeting following.

234 “Dos formas de entender la vida ... y las compras” Cinco Días 5th October 1995.
• Between June and September (the *horario intensivo*):
• 8.00 am – 3.00 pm with no lunch break
• Summer holidays: One whole month, between July and August (mainly August).

Geographic features determine the reason for this timetable. Spain is an extremely hot country, with recent summers seeing average temperature of over 38°. The *horario intensivo* is designed to avoid workers having to work in the heat, which peaks about 2 pm. One general observation made by both foreign and Spanish managers is that managers in southern Spain (principally Andalusia) “work less”. In this context it should be noted that Andalusia takes the brunt of the heat, and working patterns reflect this. To some extent managers in Andalusia also structure their time differently to avoid the sun, and therefore are not available when managers from other countries and regions try to contact them. But there is also truth in the argument. First, Andalusia has not had the same stimulus of international investment and colonisation by MNCs to force working patterns into alignment with Northern European practice. Second, the tradition of the siesta, and the “lack of pressure” in the scarce business environment are held to make Southern managers work less hard. Third, as a manager from Galicia with experience managing in Cadiz (Southern Spain) told me “it is so hot that you just can’t work the same hours as in the north!” When it came to management timekeeping this study found managers in Seville, Granada and Cordoba worked as many hours as their northern counterparts.

The Spanish often also take a long weekend when there is a public holiday (Spain has more public holidays than the UK, between 11 and 14 according to region) on a Tuesday or Thursday. This is called *hacer puente* (literally ‘making a bridge’), and is virtually an institution. The business newspaper *Negocios* carried a cartoon (Exhibit C) after a statutory holiday where the characters said:

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235 Ramón Negocios 14th December 1995
Exhibit C Take it to the bridge

Television: 73% of the Spanish are happy
Character 1: And the other 27%?
Character 2: They're the ones who didn't take the long-weekend.

Work Hard, Play Hard
Spanish managers do not work to the timetables described above. Many managers work not to a set time, but to the completion of a task. They prioritise their schedules around people and tasks, not the clock. One senior manager in a British owned multinational specifically said that:

For example, in the UK everyone leaves work on time, on the hour. I think this is a mistake. I am not looking for managers like this. It is a mistake to leave on time as it shows that you do not like the work. It shows a lack of motivation and commitment.
Another manager commented that managers usually worked past 8 pm every day. This was not to show that they were working hard, but that they “had the work under their skin”. As noted the Spanish come to identify their personal work performance with their validity as people (see chapter eight).

Aside from working hard, managers ‘play hard’. In Madrid the custom for managers is to drink or eat together on the way home from work. Business lunches and dinners are also a feature of business life throughout Spain, although they are less prominent in Catalonia. This informal socialisation is important in helping managers develop their personal network of contacts and relationships. Managers may take business partners out to dinner, and this is usually 10 pm or later in Spain. Managers may do the rounds between bars (el tapeo) or clubs. Anecdotal evidence from British and German managers suggests that they find it hard to keep up with the Spanish in terms of stamina. The economist survey of Spain (1992) suggests that the Spanish actually sleep less than any other country in Europe.

Summary
Spanish managers work as hard, if not harder than their British counterparts. Their working patterns, and their conception of time, is different. Spaniards prefer to centre their work around people rather than timetables. This helps them maintain their pattern of working around hierarchy, working creatively and using personal relations in business, but hinders the formalisation of business meetings and systems that many MNCs wish to implement.

236 Research in French companies, for example, has shown that many French senior executives give the illusion of working great hours, although they are not actually doing so (Barsoux, 1988). Anecdotal evidence suggests that this extends to managers leaving office lights on, and parking their car in the office car park all night and taking the bus home.

237 The Spanish do not have a tradition of entertaining in the home, apart from family members. In this way bars and restaurants are social institutions.
CHAPTER FIFTEEN: WOMEN – WORKING THEIR WAY UP

In this chapter we shall examine the state of women in management in Spain. As in many European countries, including Britain, it is generally felt that there are specific barriers to women gaining managerial employment, especially at senior levels. The aim of this chapter is to:

- Set out the general state of women in business and management in Spain.
- Examine any special factors of the Spanish environment (such as female manager’s unions or social pressures) affecting women’s roles in management.
- To take a more detailed look of the experiences of female managers in the workplace.

![Figure 1: Women in management (percentages), 1995](image)

*Catching Up*

Spain is following other European countries employment patterns as far as women are concerned, although Spain is further behind. Spain has one of the lowest female participation rates in European industry (Rees, 1995), a situation that is probably worsened by chronic high unemployment. Figure 1 shows the percentage of women in management in the US and the EU. With only 10.5% of managerial positions being filled by women, Spain still maintains Europe’s second lowest number of female business executives. Table 2 shows the low level of female managers in industry, and
how they are clustered in a few functions. Further to this, the majority of these posts are junior, and women only account for no more than 10% of department heads in marketing (12%) and HRM (12%).

<table>
<thead>
<tr>
<th>General Management</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Systems</td>
<td>7</td>
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<tr>
<td>Commercial Management</td>
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</tr>
<tr>
<td>Export Management</td>
<td>8</td>
</tr>
<tr>
<td>Marketing</td>
<td>23</td>
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<tr>
<td>Finance</td>
<td>18</td>
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<tr>
<td>Human Resource Management</td>
<td>19</td>
</tr>
<tr>
<td>Production Management</td>
<td>5</td>
</tr>
<tr>
<td>Technical and R&amp;D Management</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 2 Women occupying management functions (% of total)

In the Spanish context, the number of managerial positions for women has been growing. Female participation in the labour market has increased dramatically in the last decade. Figure 2 shows how female employment in business has changed between 1982 and 1993. Across all job levels women made significant gains. Demographically the role of women is growing more important, and in the 1982-1993 period female employment increased by 6.7% whilst male employment fell by 6.2% (Bruton, 1994:

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239 Source: "La Mujer aún cuenta poco en la dirección empresarial" La Vanguardia 2nd November, 1996 pp. 4-5 Business supplement

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Women: Working Their Way Up

109). Whilst encouraging, figures showing ever growing female participation in the business world must take account of the nature of employment in question. Even at administrative levels much of female employment is ‘precarious’, as the predominance of short-term contracts and part-time employment. Overall in the labour market around 45% of female employment is temporary or short term.\textsuperscript{241} 

At senior managerial and board level women have also made gains more slowly. In 1994, women chaired only two of Spain’s top 160 companies, and one of these was the owner’s daughter. There is a general feeling that female managers are prevented from obtaining senior positions, and somehow “hay que romper techo de cristal sutil”\textsuperscript{242} (have to smash the subtle glass ceiling) of discrimination to develop their careers.

Women have also traditionally found it more difficult to gain posts in private companies, as figure 2 indicates. Overall women in 1995 filled 16% of managerial jobs in state business, but only 5% in private companies.

Pay for women still lags behind that of men in comparable jobs. Writing for Expansión, a major Spanish business paper\textsuperscript{243}, one of Spain’s most successful businesswomen, Marfa Jesús Prieto (head of Sistelcom) remembers that:

> Cuando empecé en Telefónica en 1970, ganaba igual que los demás titulados superiores. Pero cuando pasas a nivel ejecutivo, no sé por qué pero la remuneración es inferior.  

(When I started working for Telefónica in 1970 I earned the same as the other graduates. I don’t know why, but when I moved to higher management the pay was less because I was a woman.)

The situation has not improved, and currently female managers may expect to earn 20-35%\textsuperscript{244} less than their male peers do.

\textsuperscript{240} Source: Ministerio de Asuntos Sociales, 1995  
\textsuperscript{241} Source: CC.OO official, Sra. Salce Evira, El País, 10\textsuperscript{th} September 1995.  
\textsuperscript{242} Pilar Gómez Acebo, El País, 10\textsuperscript{th} September 1995  
\textsuperscript{243} “La mujer cobra menos que el hombre cuando llega al nivel ejecutivo” Expansión, 8\textsuperscript{th} March, 1995  
\textsuperscript{244} The figure varies widely according to various sources (El País, FEDEPE, Bruton (1994), and others. Figures usually suggest female managers are paid 20-25% less than males, but this is includes senior positions where the shortfall is more in the region of 20%. Overall, across all management grades, 20-35% is a fair indication for females in general as it account for women entering managerial posts at junior positions.
Snakes and Ladders

Spanish women have some disadvantages working against their moving into managerial jobs. There are also some contemporary factors working in their favour. Working against equality in management is the weight of traditional masculine Spanish culture, with clearly defined roles for women in society – roles clearly defined by the Catholic Church (Hooper, 1997). Outside of the cosmopolitan major cities conservative attitudes still remain very deeply embedded.

The situation for Spanish women is complex, and there are factors simultaneously helping and hindering the opportunities for women in management. In addition to social conservatism, there are other factors we should consider:

- Short-term economic factors may be currently putting females at a disadvantage when applying for senior jobs.
- Long term demographic trends may be women’s advantage in the labour market.
- Finally, there are now associations actively trying to help women gain higher managerial positions. We shall examine all these issues in the following three sections.

Gender Economics

The economic slump of the early 1990s certainly slowed the rise of the amount of women being promoted into senior management, as uncertainty triggered a conservative reaction among executives when considering women for top posts (Bruton, 1994). On the plus side for female executives, as companies downsized the proportion of female executives grew, especially as most female managers are recent entries into the market place. As for the first time there are now more female than male graduates at university level\textsuperscript{245}, and that more women are taking technical and business orientated subjects\textsuperscript{246}, women are strengthening their position in the labour market. The post-industrial shift in the European economies, from traditionally male dominated heavy industries, is also boosting women’s long term potential in the labour market.

\textsuperscript{245} Superior graduates in 1995: male 71,600, female 81,400. (58%) Source: \textit{Encuesta de Polación Activa}, 1995, as printed in \textit{El País}, 10\textsuperscript{th} September 1995.

\textsuperscript{246} Women now outnumber men on business degree courses for IT, marketing and personnel.
Strength in Numbers: the FEDEPE

Spanish women in management now have a dedicated association seeking to increase business opportunities for women. The Federación Española de Mujeres Directivas, Ejecutivas, Profesionales y Empresarias (FEDEPE, the Spanish society of women directors, executives, professionals and businesswomen) is part of the European Women’s Management Network. The FEDEPE was formed by the merger of two separate one year old organisations, the Madrid based Asociación de Mujeres Directivas, Profesionales y Ejecutivas (association of women directors, professionals, and executives), and La Asociación de Dones Directives y Emprearies de Catalunya (the Catalanian association of women directors and businesswomen) in 1989. The association was the first serious association for female managers and businesswomen, running a press, disseminating information on known member achievement, sponsoring events and prizes and running training programmes.

In addition to FEDEPE there are now other national and local women managers’ associations working for women. Among the most prominent are the La Organización de Mujeres Empresarías y Genencia Activa (the organisation of businesswomen and working managers), and La Federación Española de Mujeres Empresarías, Negocios y Profesionales (Spanish federation of businesswomen and professionals).

Despite the efforts of proactive campaign organisations, in 1995, a business publication, listed its 500 ‘directivos claves’ (key managers) in Spanish business, and only three were members of the FEDEPE.

In the Workplace: As Level a Playing Field as Any

The sample for the study included five female managers, only three of whom were working in Spain. From anecdotal evidence and press reports (as well as reports from the FEDEPE) their testimonies were fairly typical. Whilst carrying out the interview research and company visits the author had come into frequent contact with many managers, and had the opportunity to look at the management structure of many of the companies participating. Because of this access, the author was able to note that the small number of female managers interviewed was in proportion to the general number of managers in the companies visited. Of particular interest companies visited that had been in the state sector, or which were still associated with the sector, had no

\[247\] In Madrid there had been the short-lived asociación Española de Mujeres Empresarias de Madrid, formed in 1971.
female managers. This does not accord with 1995 figures that show that 14% of state sector managers are women in relation to only 5% in private industry248.

In the following section we shall take evidence from the female executives interviewed to build up a picture of managerial singularities for women working in management. As mentioned before, their testimonies are fully consistent with supporting material, if slightly more downbeat than the FEDEPE literature.

In the chapter on hierarchy, status and authority we noted that there was the possibility that there was still discrimination against women in senior management positions. One way in which this may be manifested is by designating female managers with lesser titles (and therefore pay) than their male peers. In the following testimony, a female HRM manager comments on her experience in an American MNC, managed by Spanish nationals:

Yes, it is very difficult to be a women manager here. You get a lot of problems. For example my title is responsable the lowest title for a head of department (HOD). Let me explain job titles in this company: in English you have the term ‘manager’, but in here we have many levels of status title for manager. For example, a HOD is a HOD but there are levels of rank here:

- *Responsable.*
- *Jefe.*
- *Director.*

All these jobs have the general job of ejecutivo. The gerente is the general manager, the top man. I have been given the title responsable because I am a woman. I have other male friends whom I was at college with, and they are less well qualified, and have less experience than I, but they have the title director. The previous manager in this post, a man, was a director. We do have two other women heads of department here.

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248 Source: *El País*, 10th September 1995. Unfortunately, the figures are ambiguous, as we do not know what is encompassed by the state sector, or what the definition of management used was. Our findings, although only indicative, could show a lower level of female participation in management in the state sector because of the companies comprising our sample. The majority
though, one in IT and the other in logistics, and they have also been given lower titles. They are both jefas.

It is impossible to prove that this is for discrimination legally – because the company can always claim that the woman has a lesser job title for other reasons, although there are laws against discrimination.

The reason is that in society in general women are seen not to be as good as men. This is because they “are not as clever”, “they have children, and they get sick all the time”. I am not in any way a feminist, but this attitude is true. Things are changing, but very slowly.

Women managers interviewed for the project thought that their job was made more difficult because of their gender. The manager quoted above gave her opinion of the situation for her personally, and illustrated some of the concerns by giving an example:

Being female gives you a lot more pressure. The following example has been a very difficult situation for me. We are in negotiation to sack two people – and in Spain it is very difficult to sack people – and it is very difficult to negotiate with the upper management because I am a woman and I’m young also. I’m 30 years old. In fact when I say ‘sack’ I really mean arrange early retirement for two senior managers, and we have to discuss the arrangement for their leaving settlement. It is very hard to talk to these two because of the prejudice. They do not take me seriously.

It is worth noting that the responsable quoted above also felt that she was discriminated against because she was young. This is not a coincidence. Women have only been entering management positions in Spain recently, and there are still few in senior positions. The vast majority of these are management graduates and business school trained. Because of this they are usually fairly young, and this too can cause problems, especially when they enter into companies with traditionally a high management age and a tradition of seniority. Because of the changes in many (especially state sector and associated companies, as we have noted in depth in the
earlier chapter on the INI and authority structures) Spanish companies, younger managers are often promoted into companies as a means to reform the business culture. In these instances women managers face the two edged sword of ingrained prejudice. Even younger male managers in these companies have difficulties, as testified by managers who edit their CVs and documentation to remove traces of their ages. This is not an option for female managers, who generally tend to look younger (at least to older hidebound managers) than they really are. Many women managers therefore find themselves at the sharp end of culture change conflict in business.

Male managers were naturally reluctant to speak of any prejudice against women in management, although many acknowledged that things were more difficult for them, “although things are changing” of course followed. One manager opined that he would work under any senior manager, “be they female, Chinese or blue from Mars”, because senior staff were senior staff, and must therefore be superior. This is very much in keeping with the ‘human face’ ideas of managers, but it may be worth noting that this manager had not had the opportunity to prove his words. In a mocking swipe at ‘old fashioned managers’ one recent graduate male manager informed me that he’d heard them say that female managers were ‘good for nothing’ because they had ‘no cajones’249. Although the author did not see any tactless prejudice against the women managers interviewed there is no reason to suppose that there is not a grain of truth in this. It could possibly account for the fatalistic attitude that all female managers interviewed seemed to have regarding prejudice.

Possible Regional Differences in Attitudes
The interviewees felt that female managers were more readily accepted in Catalonia. Other regions were ‘socially behind’ the more European atmosphere, in terms of feminism, and this can even be seen in women’s fashion on the streets, which are much more fashion conscious outside of more cosmopolitan and relaxed Catalonia. The other female managers interviewed who were not working in Spain were from Madrid, but interestingly were working in the UK because they could not find work there. They certainly (subjectively) felt that there was some resistance to female ‘fast-track’ managers in Spain. It is notable that both the female managerial associations

249 This vulgar expression literally means that female managers have “no testicles (cajones)”, and relates not only to the gender difference but the use of cajones to mean ‘guts’. A manager with cajones is a brave, risk taking manager, hence the double meaning of the slur.
that formed the FEDEPE were from the two dominant business regions of Madrid and Barcelona. Of course, both of these heavily developed business centres have more opportunity for managers as a whole, so it is only natural that female managers would be able to associate in numbers large enough to forge interest groups in these centres. Despite this, there probably is more social resistance to managerial equality in the southern and north-western regions of Spain, where there are traditional attitudes towards female social roles, and the strong influence of the conservative Catholic Church, means things are more slow to change.

In Spain in general, although women are joining the labour market at managerial levels, their economic function is changing faster than their social role in Spanish society. Traditional Catholic Spanish society reveres the role of the mother in the household, and although there is not scope in this thesis to explore the complex dynamic between social and sexual stereotypes in Spain, it is significant that the popular acclaimed films of Pedro Almodovar are populated by successful businesswomen simultaneously coping with the traditional housewife role.

The Impact of the FEDEPE

Although the FEDEPE had approached both the female managers interviewed in Spain, neither manager expressed any interest in it. They, and those working in the UK, did not feel that it was of concern to them, despite feeling that there was prejudice against them. The reasons for this seem to be the Spanish cultural predisposition towards fatalism, and also the feeling that they had to overcome problems on their own, much as in 'every Spaniard is his own king' lies the internalised machismo of self-reliance. Although we have noted the details of the FEDEPE in this chapter, this thesis cannot offer any insight into the association's impact in the workplace.

Summary

Although much has been made of the poor number of women in managerial positions in Spain, it should also be remembered that prejudice and the 'glass ceiling' also restrict opportunities in Britain. Our sample has attempted to depict Spanish

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management in general, but particularly in manufacturing industry. This sector has particular entry barriers for female managers\textsuperscript{251}, as noted in the following testimony by a female manager at a Japanese MNC:

It is very difficult for a woman to enter into management in the production sector. This is why from the 50 managers at (the company), only 2 are women. And in the Japanese HQ there is one woman manager, and she is also in HRM\textsuperscript{252}. It is not more difficult to be a female manager in Spain than it is anywhere else.

The position of women in management in Spain is coming broadly into line with that of most Western European countries. Female managers are starting off in educational terms on parity with their male colleagues, and encountering much the same problems as women in management throughout Europe. With demographic trends on their side, and the restructuring of industry in Spain away from the male dominated traditional heavy manufacturing sector, the situation seems set to improve. As a recent portent of change, the Spanish business monthly Dinero ran a cover story on the “irresistible ascenso de la mujer en la empresa”\textsuperscript{253} – the unstoppable rise of women in business\textsuperscript{254}.

\textsuperscript{251} is “almost imperceptibly slow” and that “women remain seriously under-represented at senior management level.”

\textsuperscript{252} It is beyond the scope of this study to enter into a lengthy description of gender and management, but it is generally accepted that manufacturing industries present more entry barriers to female managers. The primary reasons for this are: industrial manufacturing has traditionally been a male occupation, the educational structure (in Europe in general) has prevented women from gaining training in practical subjects for industry and the socially accepted gender roles acting against women prioritising careers in manufacturing.

\textsuperscript{253} HRM has been called a ‘ghetto’ for female management.

\textsuperscript{254} Dinero, 3\textsuperscript{rd} June 1995.

\textsuperscript{255} La Vanguardia also ran the story “La Mujer sube en la Empresa” (the rise of women in business), 2\textsuperscript{nd} November, 1996 p.1 Business supplement.
CHAPTER SIXTEEN: CONCLUSIONS

The findings of this study serve two major purposes:

- The study provides a different picture of the nature of management in Spain from previous studies conducted in the 1970s and 1980s. The study:
  - Puts the characterisations of previous research (such as strong hierarchies) into their developmental context, and attempts to give an account of their significance to business today.
- The thesis provides of characterisation of management in Spain at the time of writing (Spring, 1998).
  - Explains the economic and social basis for the management characteristics that we have noted in Spanish business at present.

There has been great change in Spanish business since the mid-1980s. Before this period large Spanish businesses were mainly state-owned and managed, and management values reflected the traditional concerns of the Spanish bureaucratic oligarchy (the importance of social prestige, patronage and a disdain of industry). Large Spanish business today is predominately owned by the state and foreign MNCs. However, in both cases there has been a great change in the management of these companies, and Spanish managers in the state and private sectors are probably more similar to each other than at any other time in Spain's history. Broadly speaking, the values manifested by these managers reflect other Spanish traditions of autonomy, independence, loyalty and personal honour.

The fundamental question that begs to be addressed is whether, within the scope of this study, it is possible to identify culturally determined characteristics in Spanish management in general. This study supports the idea that there are general features in management recurrent across industry sectors and management functions that are distinctive, or unique, to Spain. In addition to this there are features that are recurrent in specific regions, and it is therefore possible to depict management characteristics in some Spanish regions. This study also found rather strong evidence of a Catalan management culture.
Style or Content

The Catalan management style could be said to be different from a general Spanish management style. Although this study is limited, some general indications may be offered. Whilst there are some clear distinctions between management style in Catalonia and the United Kingdom, the differences between a Catalan management style and a Spanish management style are less easy to distinguish. Despite this there are several areas in which Catalan management displays unique features, and many areas where there are differences of magnitude when comparing Catalonia with Spain in general. These include:

- The higher status of engineering.
- Less social differentiation in management, even in comparison with the rest of Spain.
- More professional management in Catalonia, and the greater use of business systems.
- Far less geographical management mobility than the rest of Spain, which is already the lowest in Europe.
- Greater inter-company mobility in Catalonia, in fact attributable to the larger management job market.
- Established networks between business, industry and education.
- A highly internationalised business environment. Catalan managers are more likely to speak English and other European languages.
- Working customs, time-keeping closer to Great Britain than Spain in general.
- General underlying similarities with management values in Spain, particularly the importance of individual human values and the importance of the family.

Many of these points are degrees of scope, or are reliant on the more developed business economy in Catalonia. In a response to the main question of differences, it could be suggested that in broad terms management in Catalonia is fundamentally similar to the rest of industrial Spain. Despite the regional differences (such as lower geographic management mobility) the most distinctive features of management in Spain (structure of personal authority, transmission of culture through the selection procedure and team leadership, the prioritisation of human values, and communication
Conclusions

through individuals) are features found in both Catalonia and Spain. These features are all notable in comparison with the United Kingdom. In some cases the degree of these differences is substantial, and gives Catalan management a unique flavour. Ultimately these are differences of style, not of content, and it is reasonable to talk of a Spanish management culture inclusive of Catalan management.

Summary:
Management in Spain is characterised by:

- Relatively small companies competing simultaneously in a fragmented national market and in a global economy dominated by MNCs.
- A predominance of Spanish managers managing to multinational companies.
- Managerial legacies from state-corporatism, as business has to operate within a framework of labour inflexibility and within a system of unrepresentative industrial democracy.
- A large number of state sector companies undergoing rapid culture change in repose to market pressures and privatisation.

- Personal qualities paramount in relationships, despite more emphasis upon technical qualifications than in Spain in general.
- Cultural continuity through management selection and authority relations
- Spanish working patterns are independent from and more important than the formal organisation structure within which they operate.
- The use of complex business networks based upon personal contacts.
- Workplace informality and a distinct ‘human face’ to management, rather than the authoritarian business culture reported from the 1970s and INI-state management.
- Strong regional loyalties impacting upon HRM and management mobility patterns.
- Managerial creativity, delegation enabling the quick decision making underscored by management endogamy and small company size.
- Management communication taking place directly and informally between managers, with an increase in flexibility and faster management response at the risk of poor organisation and chaos.
Conclusions

- Individualistic and proud managers motivated by autonomy and responsibility.
- Distinctive career paths, advancing by functional and inter-company mobility resulting in generalist managers.
THE NEED FOR MORE RESEARCH

This thesis was based on over 70 interviews across industrial sectors and management functions within companies in Spain. For a more specific picture to be given of the variations within each sector, and region, more narrowly targeted empirical research is needed.

We feel, however, that this study has opened up several promising avenues for future research, notably:

- Whether MNCs are able to use the national cultural advantages of their Spanish management staff for their benefit.
- The dynamics of the systemisation of creative management practices.
- The impact of regionalism upon business function location in Spain.
- Whether the continuing professionalisation and systemisation of management in Spain leads to convergence with management practice in Great Britain.
- The social roles of leaders in organisational change.
Appendix

Appendix A FDI by Region

Figure 3 1995 Foreign Investment by Region

Source: Duns 50.000 Principales Empresas Españoles 1995 p.17
### Appendix B Spain’s Largest Companies

<table>
<thead>
<tr>
<th>Company</th>
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<td>IBM España</td>
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</tr>
</tbody>
</table>

Table 3 Spain’s Largest non-financial companies in 1994

Source: Ross (1997) p. 157
Appendix C Business School Advertising

Exhibit D Business School Advertising

Escuela de Administración de Empresas
Más de 37 años al servicio de la formación empresarial

MBA MASTER EN ADMINISTRACION Y DIRECCION DE EMPRESAS

- Dirección y Estudios Universitarios para Estudiantes de Negocios.
- Forma de estudio: presencial.
- Ofrece cursos de verano.
- Preparación para el mundo laboral.
- Beca para estudiantes de universidad.

BBA LICENCIATURA EMPRESARIAL OFICIAL DEL REINO UNIDO

- Forma de estudio: presencial.
- Ofrece cursos de verano.
- Preparación para el mundo laboral.
- Beca para estudiantes de universidad.

DIRECCIÓN GERENCIAL

- Financieros y asesoramiento.
- Dirección y coordinación.
- Negocios y asesoramiento.
- Planificación y coordinación.

DIRECCIÓN EN MARKETING

- Dirección y coordinación.
- Negocios y asesoramiento.
- Planificación y coordinación.

DIRECCIÓN DE VENTAS

- Dirección y coordinación.
- Negocios y asesoramiento.
- Planificación y coordinación.

DIRECCIÓN TRIBUTARIA

- Dirección y coordinación.
- Negocios y asesoramiento.
- Planificación y coordinación.

DIRECCIÓN DE COMUNICACIÓN

- Dirección y coordinación.
- Negocios y asesoramiento.
- Planificación y coordinación.

MAESTRÍA EN RECURSOS HUMANOS

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

EXPERTO CONTABLE

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

TÉCNICO CONTABLE

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

GESTIÓN DE PERSONAL Y RELACIONES LABORALES

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

GESTIÓN FINANCIERA PARA JURISUTAS

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

MARKETING DE LA DISTRIBUCIÓN

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

AUDITORÍA DE CUENTAS

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

GESTIÓN FINANCIERA PARA JURISUTAS

- Formación en el manejo de recursos humanos.
- Negocios y asesoramiento.
- Planificación y coordinación.

Programas de Perfeccionamiento

1. Programaciones de 60 horas de duración con fechas de inicio, fechas de finalización, y fechas de inicio con fechas de finalización.
2. Programaciones de 60 horas de duración con fechas de inicio, fechas de finalización, y fechas de inicio con fechas de finalización.
3. Programaciones de 60 horas de duración con fechas de inicio, fechas de finalización, y fechas de inicio con fechas de finalización.
4. Programaciones de 60 horas de duración con fechas de inicio, fechas de finalización, y fechas de inicio con fechas de finalización.
5. Programaciones de 60 horas de duración con fechas de inicio, fechas de finalización, y fechas de inicio con fechas de finalización.

Información e Inscripción

- Lunes a viernes, de 9 a 20.30 h.
- Sábados de 10 a 13 h.
- Avda. Catedral, 28- 08002 BARCELONA

Abierra la Inscripción Telefónos

Inicio Clases

- (93) 310 75 62
- (93) 310 75 58

OCTUBRE 95

- (93) 310 71 84
- Fax (93) 319 44 36

285
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<td><strong>M.B.A.</strong></td>
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<tr>
<td>MASTER EN ADMINISTRACION Y DIRECCION DE EMPRESAS. (M.A.D.E.)</td>
</tr>
<tr>
<td>MASTER OF BUSINESS ADMINISTRATION (M.B.A.)</td>
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<td>MASTER EN DIRECCION GENERAL DE EMPRESAS.</td>
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Appendix D Personnel Recruitment Advertising

Exhibit E Personnel Recruitment Advertising
A WORLD LEADER IN TRUCK THRIFT REPLACEMENT BUSINESS-

A world leader in truck tire replacement market with an expanding network of franchised dealers. The Company produces a comprehensive range of products and equipment for the tire replacement business.

We seek to appoint a

SALES DEVELOPMENT MANAGER FOR SPAIN

Economically, a new and diversified business on the Regional Sales Manager South European. The successful applicant will work with our established franchisee dealers and their sales organizations, and will provide them leadership to ensure their continued profitability and future growth. A key goal will be to develop our present franchisee dealer network to reach the markets of their customers.

Transportation automotive or tire industry marketing and sales management experience is required.

The successful applicant will have good communication skills and will also have a strong market, people-oriented approach to business. The right candidate will have the personal energy, commitment and commercial management style to achieve results, working to a target-driven deliver environment. He/She will also be expected to travel 60% of the time and will, besides a Spanish mother tongue, master the English language fluently.

A comprehensive benefit package will be offered which includes family health care, generous non-contributory pension and life assurance schemes and a company car.

Company induction will take place in Europe and on the job.

Please send your detailed C.V. and a recent photograph to BANDAG at LI 60005, Eastbourne, England. Telephone 0227-789 534, between two weeks.

IMPORTANTE CENTRO INDUSTRIAL UBICADO EN SANTA CRUZ DE TENERIFE, PERTENECIENTE A EMPRESA LÍDER PRECISA.

JEFE DE RESTAURACIÓN

Se necesita con urgencia un JEFE DE RESTAURACIÓN para trabajar en una cadena de hoteles de 4 estrellas en Tenerife, Islas Canarias.

Responsabilidades:
- Planificación y organización del servicio de restauración.
- Supervisión del personal de cocina y servicio.
- Control de calidad de los platos servidos.
- Análisis y control de costes.

Requisitos:
- Experiencia mínima de 3 años en este sector.
- Buena práctica culinaria y conocimientos en gestión de restauración.
- Excelente habilidad comunicativa.

FECHA: 04/06/2023

JEFE DE VENTAS PARA CUBRIR PLAZA EN MADRID

Dependiente del Director Regional de la Zona, responsabilizándose de lograr los objetivos de la Compañía. Está encargado del desarrollo y gestion de todo tipo de contratos de tipo abierto y cerrado, incluyendo la estandarización de los protocolos de comercialización. Las funciones principales incluyen la gestión de la measurements, la capacidad de gestión de contratos, el control de la calidad y la atención al cliente.

Responsabilidades:
- Gestionar y desarrollar la actividad comercial de la Compañía.
- Establecer y mantener relaciones comerciales con clientes y proveedores.
- Planificar y ejecutar acciones de marketing y promoción.

Requisitos:
- Experiencia mínima de 3 años en marketing.
- Excelentes habilidades de comunicación y negociación.
- Excelente conocimiento del sector.

FECHA: 04/06/2023
Appendix E The State Sector Structure

Exhibits: State Sector structure in 1996

<table>
<thead>
<tr>
<th>Company</th>
<th>(%) State holding</th>
<th>Company</th>
<th>(%) State holding</th>
<th>Company</th>
<th>(%) State holding</th>
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<tr>
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<td>Grupo Endesa</td>
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<td>Enusa</td>
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<td>Suira K</td>
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<td>Red Eléctrica</td>
<td>53.07</td>
<td>Heavy plant/Construction</td>
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<td>Sodiar</td>
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<td><strong>Air Transport</strong></td>
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<td>Aviaco</td>
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<td>Aerospace</td>
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<td><strong>Aluminium/ Mining</strong></td>
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<td></td>
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<tr>
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<td>Manises Diesel Engine Co.</td>
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<td>Sta. Bárbara</td>
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<td>AHV-Ensidesa capital</td>
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Exhibit G: AEI group structure. Source: AEI, 1996
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<td>Extraction/construction</td>
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**Instrumental companies**

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**Financial Companies**

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Exhibit H: Patrimonio group structure Source: *Memoria grupo patrimonio 1995*: Ministerio de Economía y Hacienda
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• El Periodico
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