



Reinvestment, reinvestment and more reinvestment... over four generations of a family business

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The imposing Txindoki massif looms above us on a rainy winter's day in Gipuzkoa when the concierge at Papelera Aralar approaches, intrigued to see who the owner of that strange car is who has thought of parking in front of the company gates. Antxon Alzueta steps out of the car and, once the increasingly amenable concierge realises who it is, he starts feeling at ease. This leads to a friendly, albeit brief conversation as a prelude to our visit to the company. The small Citroën C3 is no longer strange and can rest from the journey in the mountain's shadow while we delve into the long, exciting history of this family business.

The origins of Papelera del Aralar: one family's drive forward

To pinpoint Aralar's origins, we need to go back to the early 20th century when José Martin Alzueta, a widower with three children, married his sister-in-law, who was also a widow and had three children from her previous marriage. To the six children making up the new family were subsequently added the further three they had together. Among the latter, Santos Alzueta, together with Senen Amunarriz Aseguinolaza and Manuel Amunarriz Aseguinolaza, would go on to be the founders of Papelera del Aralar.

Santos Alzueta Lasquibar was born in Irura in 1934. A very restless and determined man, he earned his living making paper bags that were printed in a factory in Villabona. In addition to supplying the immediate vicinity, many of these bags were shipped as far as the Canary Islands to wrap the bananas grown there. However, this was not his sole activity. Apart from working in the paper bag factory, Santos was a flour dealer, ran a wood gas generator, developed a wooden toy factory and sold insurance policies, among other jobs. His business acumen was such that at the time he ended up being awarded a prize by the insurance company for whom he worked for having sold the most policies.

However, the origins of the Papelera del Aralar business initiative were not down to him, but rather, his wife Regina Amunarriz. Regina had always played a prominent role in the bag manufacturing industry, and one day raised the idea with her husband of manufacturing paper for bags. Regina insisted and told her siblings about the initiative, specifically Senen Amunarriz, her brother who was married to María Luisa Aguirre, and who sought capital to fund the project. The idea was embraced and supported by family friends who provided capital and, together with the help of Banco Guipuzcoano, the funding needed to set up Papelera del Aralar was obtained.

With the business project in mind, Senén Amunarriz started to look for a suitable location. Promoters were aware of how important the quality of the water would be for a paper manufacturer. In view of this and bearing in mind the Amunarriz brothers were keen fishermen, they held the waters of several rivers in Gipuzkoa in high regard. After some months spent seeking out potential locations, they were attracted by the Amezketa that had always had a reputation as a trout fishing river. One day in 1934, these local industrialists decided to head further up the valley beyond the village to fish, but were surprised by a storm and had to gather together their rods and abandon the idea in view of the cloudy water descending from the heights of the Aralar mountain range, making it impossible to fish. They returned downstream to the Errota-zahar bridge and noted that, unlike the waters descending from the Arritzaga valley carrying earth and sludge in their wake, those descending from the heights of Muitzaga appeared crystalline beneath the bridge where they were standing. And so said Senén to his fishing chums:

- *“Friends, what we are looking for is right here before our very eyes – a river that even in the most adverse conditions doesn’t go cloudy. That’s all that needs to be said. If we can get together the capital we need, now is the time to take decisions and set the project in motion”.*

They decided Amezketa would be a good place for the factory owing to the quality of its water. Amunarriz and Alzueta, both from Hondarribia, sought a third partner who was also willing to provide capital for the project, although in the end they couldn’t decide about this third person and so had to keep looking for new investors. Thus, land was bought on this site and, in early 1935, work got underway to construct the building that had been designed for such purpose in the study they had carried out.

Illustration 1: authorities present at the opening of Papelera del Aralar, 1936



Source: Aralar, S.L.

The machine that was fitted at the original premises and which remains in operation at Papelera del Aralar to this day is the so-called “Machine 1”. At the time, it involved major investment, as it was a modern German machine of 220 cm in width that made all kinds of paper ranging from the finest quality to the most common types.

The machines used to make bags in Villabona were also transferred to the new premises. And between the two premises – the one manufacturing paper and the other manufacturing bags – was built a villa to where the seven members of the Alzueta Amunarriz family moved, namely the couple, the grandfather and the four oldest children: Maite, Francisco Javier, Antxon and Ignacio. The youngest daughter of the Alzueta Amunarriz family, Regina, was born in the new home in 1935.

The Amezketa continuous form paper factory was officially opened on 2nd March 1936, which in the early days also manufactured paper pulp. Owing to its location at the foot of Mt. Txindoki, it was clear that it would have to be called Papelera del Aralar, S.A. (Aralar being the name of the mountain range) and that the mountain’s imposing outline would appear on its logo. Despite remaining in the same location, the building has undergone much renewal throughout its history. Architecturally, attention should be drawn to the clearly rationalist style akin to the Real Club Náutico (Royal Yacht Club) in San Sebastián.

Illustration 2. Papelera del Aralar nowadays, with Mt Txindoki behind



Source: Aralar, S.L.

It’s not easy to understand what this company meant to the area at the time. It implied a whole industrial revolution as, apart from the Arritzaga copper mines, there was no other industry of that kind in the region. Many young people were able to take up gainful employment without leaving the village, quite a few families learned about new ways of earning money and local business was booming. Shepherding, livestock farming and work in the fields had hitherto been the only source of income – with Papelera del Aralar, Amezketa jumped on the industrial bandwagon.

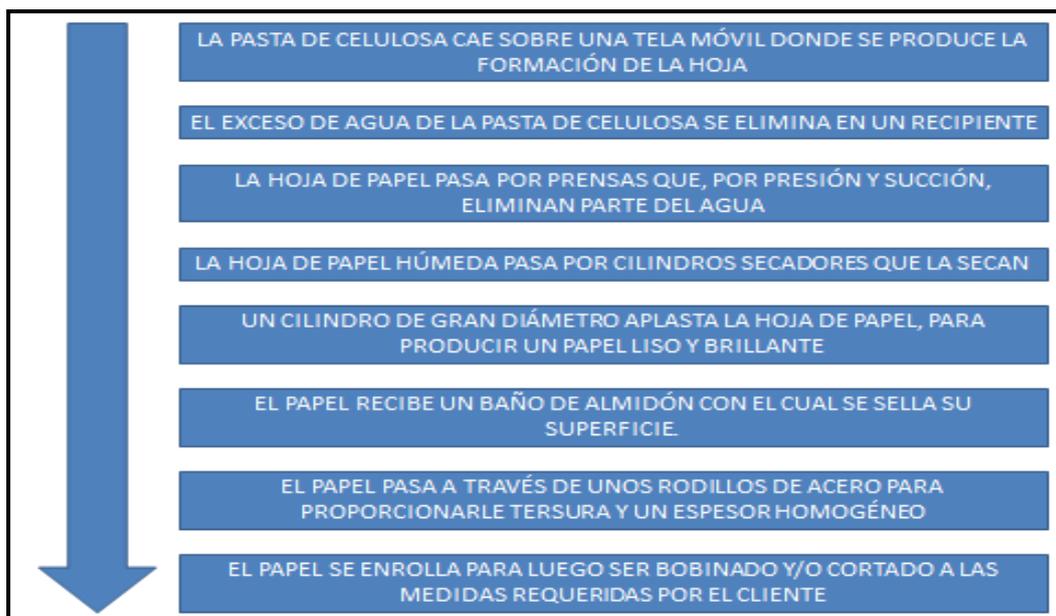
The new factory, with Senen Amunarriz as both Chairman and manager, Luis Emparan as secretary and Manuel Amunarriz as board member, gave jobs to many locals from Amezketa, and hence the factory's opening was a major event in the village. A mass was held to mark the occasion, and at five o'clock in the afternoon, the new premises and machines were duly blessed. A dinner was arranged for the plant workers in the evening, but as there were no premises large enough to accommodate all the diners, this took place in several bars in Amezketa.

The first 20 years: improvement in the production process

The early years were by no means easy. To the technical problems attached to assembly was added the onset of Civil War within the space of barely two months. The Spanish Civil War (1936-1939) was followed by the tough post-war years. The forties and fifties were characterised by "autarchy and the lack of raw materials, and a drop in consumption – factors that explain the slow recovery of pre-war production levels, which were not reached until the mid-fifties" (Gutiérrez, 1999; Rico, 1997; Zaldua, 1998 and Valdaliso et al, 2008).

The company had two managers in the early years: Santos Alzueta Lasquibar and Senen Amunarriz Aseguinolaza. These were the years when the paper manufacturing process needed to be set in motion and made efficient, the process itself comprising eight stages starting with cellulose.

Illustration 3: paper-making process



Source: put together by the authors

Moreover, to the paper manufacturing process itself had to be added the prior paper pulp-making process. Thus, the paper depended to a great extent on the quality of the pulp, which in turn was markedly determined by the quality of the water used to make it. Water was an essential asset, which is why the family had chosen the factory's location based on the quality of the local water.

Pulp manufacture demanded both expertise and a method to ensure access to excellent raw materials. This process involved boiling wood together with soda so as to remove the resin from the wood, although the boiling process also diluted the strength of the soda. If more soda was used to prevent it from weakening, then the wood could deteriorate which, as a result, would affect the quality of the pulp. It wasn't always easy to find the balance required in terms of the amount of soda used, and this required both expertise and experience to optimise control of the ingredients and process.

To deal with these problems, some static digesters were bought from Germany, which changed the pulp manufacturing process and improved its quality. Two years later, in 1944, a system was introduced for preventing the emission of odours, using mercaptans. With these changes, the paper being manufactured became had much greater resistance, with high-quality pulp, and it wasn't until 1957 that the company stopped producing paper pulp owing to regulations introduced by General Francisco Franco's regime.

With the passing of years, company production steadily increased and new needs emerged. Within this context, the company acquired rights to an electricity supply from water from a reservoir located on the slopes of Mt. Mendaur in Ituren (Navarra). Yet the fact of having an energy supply was not enough – the electricity needed to be brought from Navarra to Amezqueta. An electrical power station had to be established accordingly which was deemed to be of huge scope at the time.

It was also in 1954 when Papelera del Aralar first exported paper to Germany. The overseas market would henceforth be the company's main target. These overseas markets were demanding, but appreciated the quality and versatility of the special paper made and encouraged the company's continued improvement – a key aspect in its growth and survival in relation to other paper manufacturers in the area that focused on the domestic market.

- *“We have sold overseas our whole lives – more specifically, we’ve been exporting for over 60 years now and over 50% of our production targets overseas markets. We maintain a presence in forty different countries”, Senen Amunarriz, Manager of Aralar, stresses.*

Economic liberalisation that enabled the raw materials to be purchased, in particular, modern machinery from abroad, were keys in the decision by Papelera del Aralar in 1957 to stop manufacturing paper pulp, instead focusing on the exclusive production of high-quality paper. Neither was it a coincidence that a second German machine was added at precisely that time - what is known today as “Máchine 2”, which although unrecognisable from its original appearance owing to numerous improvements, still remains in operation. This new machine, with a usable width of 330 cm, once again signified a major investment that enabled the company to go and produce 8,000 tons of paper a year.

- “Aralar has made numerous substantial investments throughout its history that have been promoted by the family. On many occasions, we’ve felt and continue feeling quite alone in this respect. The powers that be, governments and local administration should really provide firmer support for new investment initiatives that SMEs like Aralar make. We are neither large firms nor foreign multinationals, but we are dynamic, competitive and on many occasions pioneering companies within the global milieu who create economic and social growth for the region”, Senen Amunarriz, Manager of Aralar, points out.

Papelera del Aralar, the 60s and 90s: reinvestment to gain in efficiency

During these years, the Spanish market was essentially the one on which local companies operated. Indeed, according to the Official Chamber of Commerce and Industry of Gipuzkoa (1970), exports accounted for 3% of sales in 1968 in Gipuzkoa industry. However, Papelera del Aralar’s export figures were already above this and it formed part of the growing move towards exporting from the late fifties to 1975. In the wake of this sustained growth phase, in 1974 the company fitted a third machine with similar features to the second one, with a usable width of 446 cm and a glazing cylinder of 4 m in diameter.

The liberalisation of restrictions on imports of capital goods, capital and technology resulted in the considerable development of machine manufacturing and auxiliary industries for the paper sector. To ensure a company didn’t miss out on the progress being experienced in the sector, it had to embrace the advances being made in factory production facilities. Thus, in the late eighties, Papelera del Aralar embarked on a new phase of renewal by integrating new technologies into its three machines with a view to manufacturing high-quality, outstanding paper. As a result of this investment, in the words of the current manager – son of the previous one and representing the family’s third generation at the helm of Papelera del Aralar:

- *“And so the company steadily expanded the range of paper it manufactured by providing a suitable response to requests from different sectors and markets. This allowed it to maintain a differentiation strategy which, alongside the obsession with efficiency and optimisation of costs and processes, enabled it to successfully compete on overseas markets”*, Senen Amunarriz, Manager of Aralar, points out.

This commitment to permanent renewal continued, as demonstrated by the fact that “Machine 1” was greatly modified in 1988, with “Machine 2” being updated in 1993, enabling 60 tons of paper a day to be produced. This reinvestment was deemed necessary to gain in efficiency and expand the possibilities for developments in paper. This led to Papelera del Aralar obtaining the ISO 9002 Integral Certificate of Quality in 1994 – a certificate awarded to few organisations at the time.

- *“We got it because our overseas customers asked us for it – it was something they demanded that made us a better company. The overseas market has always served as a means for improvement”,* Javier Alzueta, the person in charge of electrical maintenance at Aralar, points out.

Immediately after, in 1995, Papelera del Aralar became a pioneer in Euskadi by incorporating the first self-energy-supply system using a gas turbine. This is nowadays referred to as cogeneration, which in the nineties meant a major technological advance. In 1996, investment focused on designing and building a modern finished product area by equipping it with a modern packer and new loading bay for lorries. One year later, modernisation of the factory was completed by fitting out an area for preparing the raw material, equipping it with a pulper, refiners and a dewiring machine.

In short, this meant reinvestment, reinvestment and more investment in order to remain efficient in terms of costs and a range of outstanding products that would satisfy a demanding overseas market.

In any event, both the efficiency that was so yearned for and the effort made in terms of investment not only refer to machinery and technology. The steady automation of processes has also gone hand in hand with the adaptation of individuals to their use, and often the recruitment of new employees by the company. Yet the company has always strived to maintain a small core of individuals in management who provide the muscle rather than the fat for a business of which efficiency is demanded to be able to compete within a highly competitive sector.

- *“If the process needs to be continually adapted, then individuals play an essential role and must be willing to adapt to that change. The organisational structure in this company remains very simple – for instance, as manager I feel a bit like an orchestra conductor in that we don’t just occupy one post, but do a bit everything, whatever needs to be done at any given time”,* Senen Amunarriz, Manager of Aralar, explains.

2000-2015 objective: efficiency, product differentiation and market diversification

The gradual yet endless trend towards replacing paper with screen and writing with image has led to a dramatic fall in the use of offset or printing paper. This inexorable move, together with the competitiveness among rivals in the sector, has led to the closure of a great many paper factories that focused on the production of basic printing paper. In contrast, the uses of paper in combination with other plastic elements, for instance, has grown. Thus, the demand for special laminated paper used to cover, pack or label is increasing, enabling as it does the packaging appeal to be combined with operative solutions to product use such as the easy-to-open system or other types of container used for solid or semi-solid products.

For all the above reasons, it's not difficult to understand how, within a context in which many paper factories that focus on conventional paper have succumbed to more efficient competitors given the decline of their main market, Aralar has managed to grow as a result of major investment and its entry into new market niches. The key to this has been twofold: on the one hand, by taking advantage of growing overseas markets and by tirelessly seeking improvements in efficiency and innovation in accordance with market trends; on the other, by maintaining an internationalisation policy pursuing relatively large niches in the special paper sector such as beer labelling.

- *"This is a mad race – a few years ago,, we would change every five years, but now, every three years we have to reinvest in order to streamline the machines to make new things and operate more efficiently. The pace is frenetic – it's a race to develop increasingly sophisticated new products away from commodity or common paper", Senen Amunarriz, Manager of Aralar, explains.*

To this end, Papelera del Aralar maintains agents and offices in over thirty years on all continents, and agreements with logistics operators to ensure delivery of the product. Another important point is diversification within the paper sector, moving forward in the search for innovation so as to meet new existing market requirements.

Table 1: international presence maintained by Aralar

Continent	Country
Agents in Europe	Spain (Sevilla, Barcelona, Madrid, Ribarroja del Turia, Santa Cruz de Tenerife)
	Germany (Meerbusch)
	Benelux (Slochteren)
	France (Toulouse)
	Greece (Thessaloniki)
	Italy (Monza)
	Portugal (Prime-Viseu)
	United Kingdom and Ireland (Hampshire)
	Russia (Moscow)
	Turkey (Istanbul)
Agents in North and South America	USA (New York)
	South America (Buenos Aires)
	Canada (Montreal, Quebec)
Agents in Africa	Morocco (Casablanca)
	South Africa (Cape Town)
Office in Asia	Hong Kong
Agencies	Australia, New Zealand, Indonesia, Singapore, Malaysia, Thailand, India, Hong Kong, China, Taiwan, South Korea

Source: Aralar, S.L.

One datum that supports this innovative spirit is that Aralar develops on average fifteen different new products every year. In this respect, the creation of paper fabric for making all types of disposable clothing has enabled the company to enter the health sector, for instance.

- *“We are looking for types of paper that meet the characteristics demanded by the customer – machinable paper, very technical paper – and this requires a major effort”,* Javier Alzueta, the person in charge of electrical maintenance at Aralar, points out.

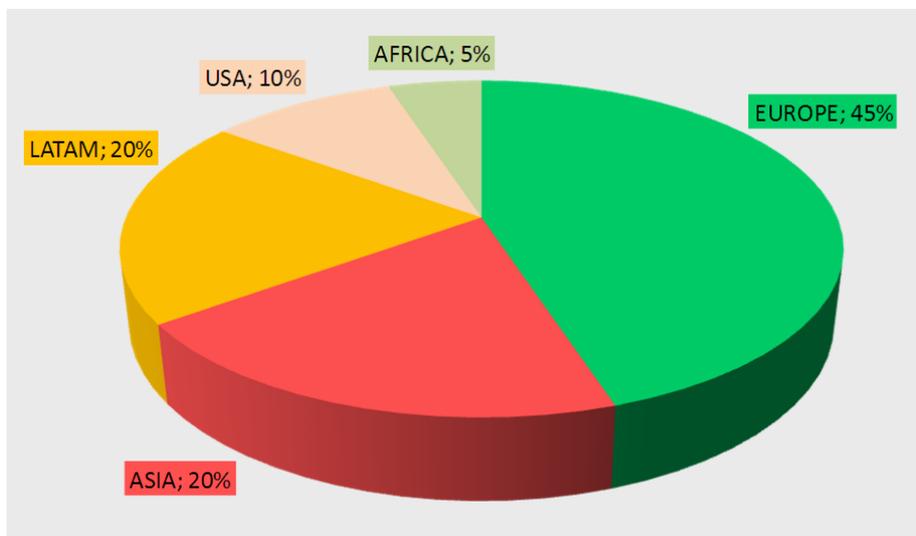
That’s why investment hasn’t stopped in the new millennium. In the year 2000, in keeping with the infrastructure updating process, “Machine 3” was modernised by equipping it with a coater, speed flow, planers, super calendars, LAS and Janus. This all enabled Papelera de Aralar to start offering totally different types of paper. In fact, 98% of the paper currently produced by this machine didn’t exist in the year 2000. The new coating kitchen was set up in that year.

In 2006, “Machine 1” was once again renovated to produce 100 tons a day. It was equipped with state-of-the-art technology from the German firm Voith, with a coater, speed flow, planers, super-calendars, LAS and Janus being added. In the same year, a decision was taken to modernise the brand and change the company name to Aralar.

All this resulted in Aralar dispatching thousands of tons of special paper to over fifty countries on all continents, including China, South Korea and South America, where its product is held in high regard. In fact, 75% of the company's turnover is now destined for overseas markets.

- *“There are few competitors who have pursued this diversification strategy of products and markets to the extent that Aralar has or who offer the range of special paper that we are able to manufacture. There are two or three that make similar things, but none of them offers such a wide range, and of course there is nothing like Aralar in Spain”, Senen Amunarriz, Manager of Aralar, stresses.*

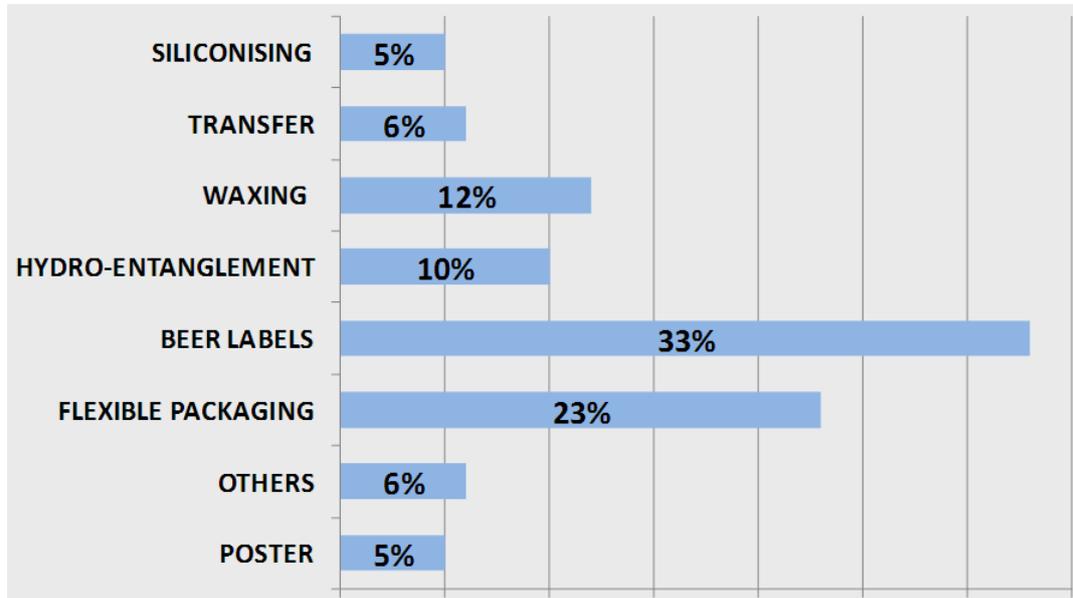
Graph 1: destination and percentage of Aralar sales



Source: Aralar, S.L.

In short, the company offers a wide, versatile range of products as a result of a diversification process within the paper sector which is ongoing. Consequently, Aralar today develops special types of paper for the most diverse purposes: for labelling, for flexible packaging, for other smaller markets such as textile transfer and surgical clothing, etc., which enables it to target markets as varied as the food and industry and textile industries.

Graph 2: types of product and percentages of sales or production for each



Source: Aralar, S.L.

Tomorrow's Aralar: ground-breaking reinvestment to create new products

- *"We've gone against the flow. During the crisis, we had a huge amount of work and now it appears the domestic market is doing better, sales have dropped somewhat because of the decline in overseas markets", Senen Amunarriz, Manager of Aralar, explains.*

The fourth generation of the family business already owns and is in charge of the company's day-to-running. It was in 2015 when the Aralar Board of Directors faced a new decision to take on board a large investment for the company – an investment which, unlike on previous occasions, didn't seek to improve production efficiency or differentiation in terms of the special paper on which its production is based. Rather, it meant starting to produce a totally ground-breaking product that constituted a worldwide pioneering initiative that would attempt to revolutionise the sanitary towel market.

The current company manager, who is familiar with the production process that the textile sector as a customer of Aralar uses to make paper for sanitary purposes, has pursued an initiative to apply these production technologies to the paper sector. His idea involves collaboration with Voith, the German multinational that manufactures machinery for the paper industry. Relations between the two companies are fluid thanks to the synergies deriving from the localisation economies of its branch located in Tolosa.

Following several years of work and development, Voith sold Aralar the first machine that would enable it to manufacture paper fibre-based – and therefore, totally biodegradable and 100% natural - sanitary towels, i.e. manufactured without using any chemical additive.

- *“This is something totally innovative, something that doesn’t exist on the market”,* Senen Amunarriz, Manager of Papelera Aralar, stresses.

In 2016, Aralar became the first and sole producer of this product worldwide. Once again there was investment, this time in so-called “Machine 4”, which entailed construction in 2015 of an industrial premises in order to install it. The company recruited 25 new operators as well as adding this new machine.

Illustration 4: plant installation of Machine 4



Source: Aralar, S.L.

- *“Following this massive investment, all Aralar needs to do now is break into the market and ensure that both end users and large distribution firms and sanitary towel manufacturers understand the advantages of the new product, which without doubt is going to fully replace the material currently available that causes so much harm to the environment – something that public administrative bodies should be interested in facilitating”,* Senen Amunarriz, Manager of Aralar, stresses.

Aralar – more than just a paper factory

This company's history has now extended to over eight decades. During this time, Papelera Aralar has with great difficulty operated outside its most immediate surroundings, and to its economic activity should be added its social activity. In the case of the latter, a company with these features has out of necessity developed within the place where it is located. Amezketa, with barely a thousand inhabitants, has been the framework within which this company has developed and has been the most immediate source of work for this organisation for generations now. The children of yesterday's workers are today engineers who remain linked to this company.

However, the relationship between company and local milieu has not just been work-related. Throughout its existence, the family business has lent support to the cultural, economic and social development of the area. This support has taken on different forms at different times, at all times adapting to the area's requirements and current situation – although this type of philanthropic backing has not been exclusive to Papelera del Aralar. Other major companies have also acted in this way in the past, although this should not detract from the advances made by these “local patrons”.

Thus, since the outset, in addition to providing employment to many locals, Papelera del Aralar has provided the village with notable infrastructures, in particular in the sixties and seventies. At a time when the village lacked sufficient workers' residences and recreational areas, in 1962 the company built the *fronton*-house – a block of eight homes located in Plaza Fernando Amezketarra; two years later, in 1964, a block of 14 homes was built, and also schools; a social club for workers and a *fronton* (pelota court) for all local residents were constructed, and, lastly, in 1979, the “Gure Txoko”, comprising 12 houses also for workers.

Special mention should be made of the opening of the school that remains owned by the company today. Initially, the teachers were Christian School Brothers and the students' academic level, which was not very high, was quite clearly raised by the quality of teaching provided at the school. A reflection of this change was the improvement noted in the results that students started to obtain in official examinations. In 1978, management was transferred to the town hall, who is still in charge of it. The school takes in not only children from Amezketa but also from surrounding villages such as Bedaio, up to the end of secondary education.

Later on, other needs were taken into consideration. Pollution deriving from paper manufacturer proved to be harmful to the environment and in particular, for the Amezketa River, into which the water used by the company during the manufacturing process flowed. This initiative would continue over subsequent years and in the year 2000, the company's concern for the environment led it to develop a new water treatment plant, for which it was awarded ISO 14000 certification in 2002.

- *“...we need to put an end to this cliché that links paper manufacturers with deforestation. On the contrary, paper factories require trees and so, wherever there are paper factories, trees are planted to make paper - specifically, pine, spruce and birch, which are trees that grow fast and devour CO2. In fact, we have obtained certificates – the American FSC and the European PEFC, which guarantee that the paper is made using responsible forestry management processes”, Senen Amunarriz, Manager of Aralar, points out.*

In addition to responding to strategic approaches, investment made by Aralar has also constituted a response to administrative requirements. Thus, in 2009 the company embarked on a process involving major further investment to adapt its premises to new environmental regulations. It doubled the size of the premises by equipping them with a homogenization tank and a new organic water-treatment plant, boasting the finest water treatment techniques available on the market. More recently, in 2011 the new cogeneration plant was fitted and the largest glazing cylinder in the world was added to Machine 3, the cylinder being 6 and a half metres in diameter and 100 tons in weight. The part's sizes meant that moving it to the premises was an epic feat in itself – never before had such a part been transported on the roads of Gipuzkoa. It took three weeks to arrive from the port of Pasaia, as the lorry was barely able to travel the speed of a person walking. In view of all this investment, Aralar is today ready to comply with environmental regulations and requirements.

Located on the fringes of the Aralar Nature Reserve, this company, with its innovation and rigour, has managed to ensure that millions of tons of paper leaving this factory every year reach the most distant corners of the planet. As occurs with all processes, there have been many setbacks and mistakes over the years, although the organisation's continuity lends proof to the undeniable successes of this business project. Thanks to this paper, which is today unfailingly linked to a place and a mountain, the modern image of a piece of the Basque Country maintains a presence on the world stage. We hope Mt. Txindoki will continue to be an impassive future witness to the life of this company.