



Hijos de Juan de Garay: Tradition, Commitment and Entrepreneurial vocation since 1866

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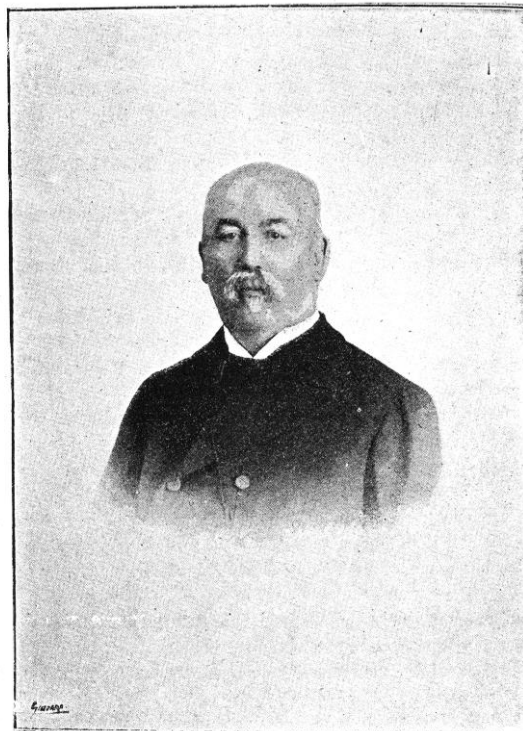
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It is quite a challenge to put 150 candles on a birthday cake, and the firm Hijos de Juan de Garay has indeed risen to this challenge. What is most probably Gipuzkoa's flagship company, today still has the energy and air in its lungs to blow out these candles. With the experience it has gained over the course of time, the firm is able to put into perspective all the ups and downs, the crises and the successes because it has experienced them first hand since 1866 when, in the second half of the 19th century, the firm started producing matches that lit the candles of many homes ...

Foundation and prosperity: the match factory

Cornelio Garay Zuazubiscar was barely 20 years old when he moved from the neighborhood where he was born in Bedoña (Aretxabaleta-Arrasate) to Oñate. This town had belonged to the province of Gipuzcoa since 1845, and in 1543 became home to the first university in the Basque Country. And it was here, in 1866, that Cornelio Garay together with Vicente de Arregui y Areitio and Francisco de Jauregi Zunzunegi, founded Garay & Co., a match factory whose brand, *La Minerva*, became one of the most important on the Spanish market.

Illustration 1. Cornelio Garay Zuazubiscar, founder of the company Hijos de Juan de Garay



Source: Hijos de Juan de Garay.

Cornelio Garay, followed by his son Juan, dedicated almost 50 years to the production of matches.

“It all started when Cornelio Garay left the caserío¹ Elizabe and, with three other partners, set up a match factory with a lithographic printer (to produce the matchboxes) in Oñate. The town had approximately 5,900 inhabitants and was basically a rural town. 65% of its inhabitants were involved in agriculture and livestock production, and the little industry the town had was related to providing tools for these activities. Soon after, the first difficulties arose. In August 1869 Francisco de Jauregi decided to sell his shares to his two partners and move to Madrid, and three years later Cornelio Garay's brother-in-law died, leaving him at the helm.”- Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

But those were not the only difficulties this business project had to overcome. As the historian and anthropologist José Antonio Azpiazu recounts in his book *Los Garay, 150 de saga industrial*, the Basque Country in the 19th century had its share of violent conflicts, such as the French occupation and the two Carlist Wars. Indeed, the Second Carlist War, lasting from 1872 to 1876, had a particularly negative effect on the company, which was forced to shut down from 1873 to 1876 and could only reopen once the conflict had ended.

In fact, Cornelio Garay's match factory was the royal mint from 1874 to 1875, established as such by the pretender Don Carlos VII. The coins made at Oñate's mint were considered impeccable. The Royal Mint was located in a pavilion on the edge of the road and when the Liberal troops entered the town on March 3, 1876 one of their first orders was to destroy its machinery.

“The coins of Carlos VII's court were manufactured in Oñate's factory. The minted coins had no face value and were the size of a duro²” - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Illustration 2. Coins minted in 1875 by Hijos de Juan de Garay



Source: Hijos de Juan de Garay

¹ Basque farmhouse.

² *Duro* was the colloquial name given to the Spanish 5 peseta coin.

Also during this period, the traditional Basque steel industry suffered a major decline, with forgers disappearing progressively and the economic hardship causing massive migration. The reopening of the match factory was therefore a boost to the area's entire economy by creating employment. Indeed, the factory was a remarkable economic uplift for the town and its future prospects. The citizens of Oñate were grateful and acknowledged Cornelio Garay's work, electing him mayor several times.

De Garay & Co was then renamed Garay & Arregi, reinforcing the family name and character of the firm since Arregi was married to Garay's sister. In 1869, a few years after the company was created, the third partner, Francisco de Jauregi, transferred his shares to his partners and left the firm. Later, when Vicente Arregi y Areitio died, his widow, who was Cornelio Garay's sister, left the firm's management in the hands of her brother.

The end of the 19th century saw La Minerva peak in terms of growth. Cornelio, never failing to show his entrepreneurial spirit, was constant in his quest to improve the manufacturing process and packaging of the matches. By way of example, in 1886 he obtained a patent for the packaging of matches, which was a significant innovation in this field. In this same line, in 1888 a hydraulic wheel was incorporated which improved the whole production process, and the firm participated in the World's Fair held in Barcelona in 1888, by which time the company had 300 workers and produced 70,000 matchboxes a day.

"The match factory with its lithographic printers must have been a prosperous enterprise within a prosperous industry, because you must remember that there was neither electricity nor gas in those days. The only way to get light was through fire and so matches were extremely important" - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

The prosperity of the business drew the attention of the Government, and in June 1892 it created a monopoly controlling the manufacture and sale of matches. Initially, an agreement was signed with the Union of Match Manufacturers, which was made up of manufacturers of different types of matches. Garay & Sons appeared second in the list of manufacturers for contracted production, with 68,300 matchboxes per day. However, this process that begun in 1892 culminated in 1903, when the state took over the production of matches.

Entrepreneurial vocation in times of crisis

During the years that the agreement lasted, Cornelio's son, Juan Garay, joined the company. Cornelio, who at that time was 50 years old, formalized right from the beginning his successor's participation in the company. Thus, in November 1892, it was established by deed that both parties were indistinctly in charge of the management of the firm, Juan's share in the company was formalized and his salary established in accordance with his responsibilities.

Illustration 3. Hijos de Juan de Garay's factory at the beginning of the 20th century



Source: Hijos de Juan de Garay

Eight years later on June 13, 1900, Cornelio Garay passed away. The management of the company was completely taken over by his son Juan. Cornelio's death was widely mourned at the time because in addition to his business, he was also a public figure who was mayor of Oñate several times, even during the hard times of the Civil War, and also held the position of provincial deputy.

"In that interim period, the founder, Don Cornelio Garay Zuazubizcar, passed away and his only son succeeded him. This is one of the factors as to why the shares of the family business have been kept within the family throughout these years. ". Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Juan faced difficult times. It was a period of great uncertainty due to the constant threat of expropriation. In spite of this, Juan retained his entrepreneurial spirit and tried to expand the scope of his production beyond what was established by the monopoly by, for example, introducing improvements. Finally, in 1907 the company was expropriated and sold at the fair price of 337,223 pesetas. The state monopoly ended a company which had minted its own currency with the coat of arms of Charles VII during the Carlist Wars.

This setback and other events at that time did not undermine Juan Garay's entrepreneurial vocation, who refused to live off the income he had obtained from the forced sale. In 1921, he bought the facilities back from the state and formally opened a new factory in Oñate. This had always been his idea since, during the expropriation process, Juan had kept under his property the waterfall and the old factory building. Juan Garay traveled to Germany, where he acquired knowledge, bought machinery and hired engineers for his new factory whose production, although diversified, stood out notably for manufacturing umbrella frames, thus becoming the first Spanish company in this field.

"Despite the Basque Country's rainy climate, umbrellas were not known at that point. There were no umbrella factories in Spain and so Don Juan saw a business opportunity, hired a Russian engineer and prepared himself for the next business. At that time, umbrellas were made of bamboo and roundwood, and this was the product with which he began his activity". - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

This was the beginning of the revival of the business, and along with the production of umbrella frames, several external workshops were set up (often in private homes) to assemble the frame and the cloth. In 1922 the umbrella factory already had 84 workers, and in 1965 the company employed more than 600 staff and produced 10,000 umbrella frames a day.

"Most of the workers were women, and there came a time when there was not enough labor in Oñate to cover demand, and so the company had to bring busloads of people from Salamanca, mostly women because of their manual skills"- Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Such growth involved considerable efforts both in the production area, where the manufacturing systems were constantly improved, as well as in the sales area, expanding the commercial network throughout the whole of Spain. Garay & Sons went on to manufacture 750 different types of umbrella and parasol frames.

"The central part of an umbrella (the pole) until then was made of wood or cane. In order to modernize production, we began to make it out of steel tube. Two German technicians and a steel welding machine were brought to Oñate. It was the first factory in Spain to weld tubes, and this was the very beginning of what would later be Juan de Garay's activity" - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

This activity went on until the 1980s, when the company began to face fierce competition in costs as Asian umbrella producers emerged. Production progressively slowed down until finally it ground to a halt in 1991.

"We realized that making an umbrella cost the same as buying one from Hong Kong, at 1,000 pesetas a unit, and so we stopped making them", explained Leopoldo Matos, descendant of the founder and advisor of Hijos de Juan de Garay, in an interview with El País newspaper in 1998.

However, closing this business down was not as traumatic as expected, since the capacity to continuously evolve and ingenuity are indeed characteristics of this family business. The firm reinvented itself and developed other activities that kept the company's activity alive, taking advantage of equipment and staff to offer different products.

"Adapt or die. When one product dies, it is replaced by another. In view that the umbrella business did not have much future, the management of the family business decided to start producing steel bars, which in 1926 were already manufactured in the form of umbrella and parasol poles", explained the General Manager to the El País newspaper in 1998

Business diversification: the transmission of the family property and spirit

Upheavals such as the Spanish Civil War were disastrous for enterprises during those years, and Garay's industrial plant was seized and used for military purposes. The factory's seizure and all its consequences had a profound impact on Juan Garay, whose life was cut short in 1937.

"Don Juan had five children: three boys, Luis, Cornelio and Juan, and two girls, María Luisa and Consuelo. He was succeeded by his three sons who already worked in the factory" - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

During those years there was not only a lack of raw materials (steel, oil, quality wood, etc.), but also electricity. However, thanks to the owned waterfall, which generated power, as well as to the purchase of a generator, the supply of electricity was maintained.

Faithful to the trajectory and entrepreneurial spirit that had characterized the family ever since their grandfather, Juan's three sons – Cornelio, Luis and Juan – started manufacturing umbrella frames once again in 1939. The responsibilities were divided among the brothers: Luis was manager of the company, Cornelio focused on the technical area and Juan dealt with the rest of the business matters.

Alongside the production of umbrellas, they undertook new business ventures, but the lack of official permissions, together with the shortage of raw materials and the Spanish market closure, restricted their business initiatives time and time again. In addition, there was not enough trained staff for the firm's activities, which proved difficult to resolve and led to the Garay brothers setting up an Apprentice School.

From the 1940s, and under the direction of Luis, the steel pipe welding section strategically became more important. The company manufactured a wide range of new products such as steel tube frames, under the trademark *Yarago*, as well as bedsteads, steel tube tools, scythe handles, detachable metal structures for light constructions, roof structures, and tubes for the bicycles produced in the area by firms such as BH, Orbea and GAC. Many of these new products were based on the manufacture of steel pipes, which became the basis of the firm's diversification strategy.

"Everything was scarce and everything that was produced was sold. Metal structures were made for construction, for roofs, [...]. One interesting example is that we produced the structure of the roofed grandstand of Atocha stadium. The manufacture of steel tubes for the bicycle industry was also extremely important. Many meters and kilos of welded tubes produced in Oñate were consumed" - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Regarding this diversification, what particularly stood out was the production of metal structures for house construction, and also the firm's participation in the production of the first prototype of a light articulated railcar, the Talgo. Another notable case was the manufacture of most of the parts for the Lube motorcycle, e.g. the motorcycle frames, petrol tanks, rims, mudguards, handlebars, front and rear forks, chain guards, brake pedals, gearboxes, etc.

"Alejandro Goikoetxea was a famous engineer who designed a rail system that allowed railcars to adapt better to the track and have a greater speed. The first prototypes were developed in Oñate and in CAF. Our uncle Cornelio, who belonged to the family's third generation, participated in this project. This train reached 135 km per hour on the Avila-Madrid rail section. It was the AVE³ of that time. However, despite having participated in the prototype, this business failed as no agreement on the financing was reached" - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Illustration 4. Prototype Talgo and the Lube motorcycle



Source: Hijos de Juan de Garay

This activity continued until the end of the 1960s when Lube closed down, which was a great loss for the Garay company. They tried to supply the motorcycle parts to other motorcycle manufacturers but the orders did not continue, forcing the firm to abandon this activity and thus ended a lifecycle of the company.

³ Spanish high-speed train.

For many years the company had been manufacturing for a closed and self-sufficient market, without introducing technological innovations which could have optimized processes and products. But in 1954, an ambitious project began with expansion and investment in new facilities and machinery (land acquisition, melting furnaces, extrusion presses and calibration and finishing machines). This would become the backbone of the future business.

"Actually, everything happened because of a mistake, which led to a new market and to business diversification. There was a shortage of steel strips with which to weld tubes but another way of producing tubes was found at the factory: the seamless tubes. Expensive machinery was needed which involved an extrusion press to turn the hot steel billets into tubes. This required great investment, but the purchased extrusion press was not the right one; it was only for copper alloys and not for steel. This meant transforming the whole factory into one for brass production. This alloy, 60% copper 40% zinc, was greatly demanded by the Basque Country's locksmith industry (particularly in the Alto Deba district). For this reason, this business venture ended up being a success" - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Thanks to these investments, a new metal division for the foundry of copper alloys was created that year, making Garay the leader in the production of brass bars and profiles, which were manufactured alongside the electrically welded steel tubes.

Illustration 5. Brass processing



Source: Hijos de Juan de Garay

Illustration 6. Hijos de Juan de Garay's main building and facilities in Oñate



Source: Hijos de Juan de Garay

Years passed and following the death of Don Juan Garay's sons – Luis, Cornelio and Juan – they were succeeded by the family's fourth generation. Specifically, José Luis Creixell Garay (son of María Luisa and nephew of Luis, Cornelio and Juan) was now in charge of the company.

Technology, new products and markets: the internationalization of the business

The production of brass and steel tubes continued in the same factory but as production increased in the 1960s, the family bought adjacent plots to build two new factories for the company's two processing departments: one for producing brass profiles and bars, and the other for manufacturing calibrated steel tubes. This new investment was key to the firm's transformation, based on the production of calibrated and welded tubes, which were tailor-made for customers in the automotive, chemical and shipping industries, amongst others.

Illustration 7. Hijos de Juan de Garay's production facilities



Source: Hijos de Juan de Garay

The above-mentioned transformation followed two main principles. Firstly, a change in the company's philosophy was introduced, with the aim of providing greater value to the customers by adjusting the product to their needs.

"In the 21st century, automotive steel has played a significant role in Garay's firm. We made the strategic decision to move forward in the value chain and started cutting the tubes, therefore preventing the customer from having to send them to another firm to cut the 6-7-meter tubes which are supplied by us. This has brought us closer to our clients. The next decision in this same line was to make automotive tubular components ourselves, thus TIER1 could incorporate them directly into their production lines." - Leopoldo Matos, President of Hijos de Juan de Garay (fifth generation)

Illustration 8. Industrial process



Source: Hijos de Juan de Garay

Secondly, following the dynamics of the automotive components market, the sector to which the company belongs, they made the company more international. In order to remain competitive as a manufacturer of automotive parts, the firm had to evolve radically.

"The entry of Garay into the global automotive market was a decisive step towards the standardization of our quality assurance systems and the professionalization of the management team", stated one of the company's executives to the Diario Vasco newspaper in 2014.

The industry is now a globalized one and large customers want their suppliers to follow them to where they are based, demanding quality, transparency and standard technologies which mean profound transformations. Garay's management decided to leave Oñate and after analyzing very different locations, finally opened two new production plants: one in Bratislava (Slovakia) in 2006, and one in Celaya (Mexico) in 2016, with the aim of locally supplying the growing NAFTA market.

Illustration 9. Hijos de Juan de Garay's factories in Slovakia and Mexico



Source: Hijos de Juan de Garay

But these strategies did not mean that no new investments were made in Oñate. During the 1990s and specifically in the early 2000s, under the management of Ignacio Garay (the fourth generation of the company), investments were made to expand the production plant to 70,000 square meters and to create a new department, a division of tubular components for the automotive industry. In 2011 Ignacio Garay passed away, and thus the reins were handed over to the fifth generation of this business family.

"The history of a company is an accumulation of personal circumstances, economic crises, policies, wars, successes, mistakes, coincidences, but it is the people's spirit and the family business values that prevail. Today it is our duty to continue the project that our ancestors began" - Leopoldo Matos, President of Sons of Juan de Garay (fifth generation).

It is the values such as the tradition of a century-old company, its commitment to customers and to the society in which it operates, its integrity, i.e. loyal and honest teamwork, and of course, innovation and growth, which are the foundations of this business family whose entrepreneurial spirit, its connection to this territory and its capacity to evolve have enabled this family to confirm its business commitment over and over again for five generations.

"And it is not only the family that remains, the last names of workers are repeated generation after generation," says the firm's general manager. All this confirms the commitment that the family business has with the area where it is located, which is another example of what, as the historian José Antonio Azpiazu points out, *"is the economic base on which the welfare of the current generations is established"*.