



Initiative, Investment and Commitment: Key factors for the growth of a family business

The case study was carried out by Cristina Aragón and Cristina Iturrioz for the Antonio Aranzábal Foundation and Deusto Business School. The authors thank the firm for its collaboration, especially Antxon Garmendia, Nerea Garmendia and Josu Varela for their participation in the project. The final version of the case study was approved in April 2018. Translation: Bridget Saavedra Scanlon.

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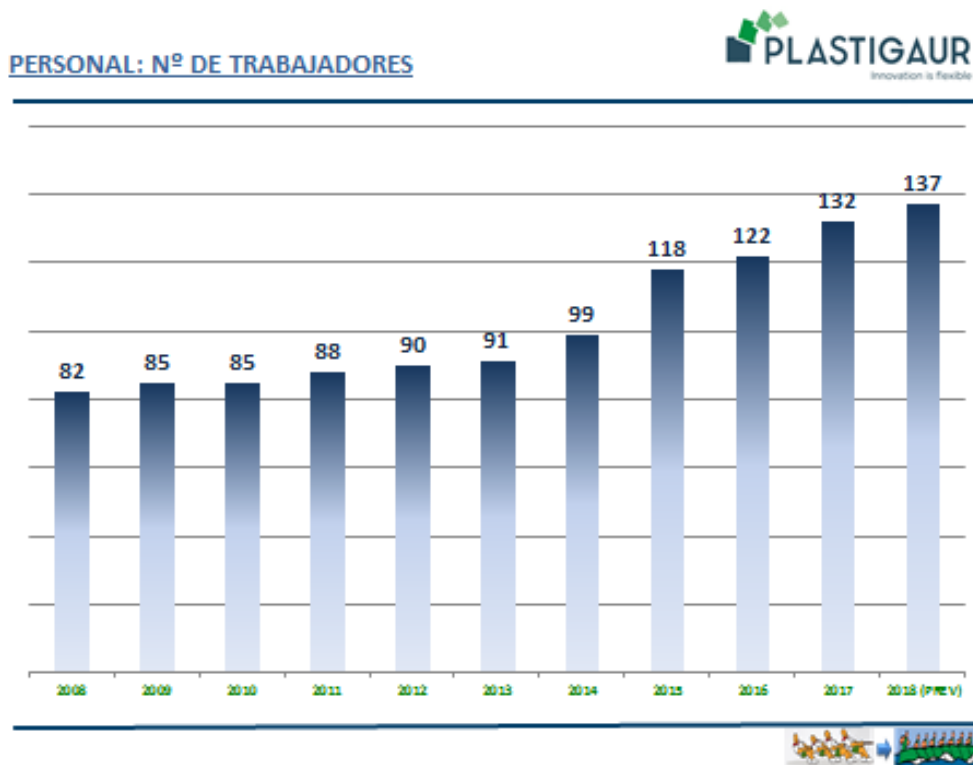
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Upon arriving in Andoain, with green mountains and villages on both sides of the road, there stands the Plastigaur factory with its imposing new building. As we step out of the cold winter air into a practical building with no frills, we are greeted by a warmth both from inside the building itself and from the open hand that welcomes and invites us in...

2017: the effective use of know-how

Under the slogan "Innovation is flexible", Plastigaur is an example to follow of a medium-sized family business in the province of Gipuzkoa. This industrial firm has developed a clear strategy which has increased its employment, production and turnover by 50% in only five years.

Figure 1. Evolution of the number of workers (2008-2018)



Source: Plastigaur

Incorporating the family's second generation into the management of the firm in 2005 revived the founders' spirits who, from the very beginning, have not failed to spot a business opportunity and take advantage of it to offer high quality products. An endeavor which has been greatly valued by the market throughout these years.

The sustained growth of Plastigaur has required an intense and continuous commitment to investment in cutting-edge technology, which has enabled the firm to offer a wide range of products and steadily make headway into new markets, placing Plastigaur amongst the sector leaders.

In this sense, the 2017-2020 Strategic Plan provides a clear strategic vision, the professionalization of its management and a renewed commitment to growth, by remaining faithful to the family business spirit.

Today Plastigaur is a synonym for innovation, committed to quality, new technologies and the environment. With almost 30 years of experience in the sector, its vision of the future and its development in R&D&I are key factors in the growth of the company. During this time, it has built up long-term customer relationships based on trust regarding high-quality service and the way the process is controlled throughout the entire value chain. And this culture of commitment and responsibility that pervades the whole organization is projected into the future. But none of this would have been possible without the collaboration of two couples led by Antxon Garmendia, who set out on this business venture.

Illustration 1. The entrance to Plastigaur



Source: Plastigaur

Beginnings in Ordizia

Before becoming a company, Plastigaur was an idea that Antxon Garmendia had had. He was a young man with lots of initiative and an entrepreneurial spirit but his beginnings as an entrepreneur, far from being industrial, were in the catering and musical sectors.

“We were eight brothers of which I was the sixth and Juan Martin was the eighth. We had a cafe in Ordizia called Café Comercio, where I helped my father from the age of eleven. When I was 18 years old my father, José Garmendia, died and I decided to continue with the business. It might seem strange that being the sixth of eight brothers I would take on this responsibility, but it happened this way and my brothers accepted it naturally” - Antxon Garmendia, founder of Plastigaur.

Antxon Garmendia's passion for music, together with his initiative to undertake projects, led him to form a musical group which was quite successful between 1966 and 1969.

“I joined a rondalla [musical band which plays popular songs with guitars and other string instruments, usually accompanied by castanets, tambourines, etc.] called Laguntasuna, where I learned to play the guitar. Then in 1966, five of us from the band formed a group called Bostak and we used to rehearse at my house at the back of the bar. We went on to win San Sebastian's First Prize for New Artists and the Gallo de Oro, which was first prize in Eibar's music contest. We also won a contest that featured 50 groups from the north of Spain, and from there we performed live on the Spanish television program Salto a la fama in 1967” - Antxon Garmendia, founder of Plastigaur.

Illustration 2. Musical group Bostak



Source: Antxon Garmendia

With the money earned from the performances and rehearsals, the young Antxon paid for his studies while also running the family bar. It was then that an opportunity arose to start a small business related to music.

“In 1967, a dance hall opened in Zumarraga called Sol y Luna. Our group, Bostak, earned money for the shows and the owner offered us the hall for two years in exchange for 50,000 pesetas a month. As I had no money, I spoke to my mother about the proposal, but I could not convince her and in the end, we signed a contract for only six months. The family was responsible for promoting the hall, and our band was in charge of singing. During those months we earned about 300,000 pesetas and when the owner saw it was not profitable, he did not renew the contract. Opportunities appear, but if you do not take risks and compromise, they also vanish” - Antxon Garmendia, founder of Plastigaur.

Antxon was interested in various professions like teaching and medicine among others, but for a question of convenience and proximity, in 1966 he enrolled as a student in the very first class of graduates at the Escuela del Papel (Paper Engineering School) in Tolosa. At the end of the course, as a paper industrial engineer, he did internships in the paper mills of the area. In 1972, Comaypa, a cooperative of paper warehouses, was founded in the north of Spain, from the Basque Country to Galicia.

Antxon applied for the position of manager in Comaypa published by OTEIC and he was selected. Comaypa was a cooperative of twenty-two warehouses and paper wholesalers for group purchasing. Antxon worked hard to group together the purchases of different kinds of paper and, thanks to the high volume of demand from the cooperative members, he obtained significant price reductions.

“It was there that I learned about purchase volume and the importance of paying cash. Thanks to the high volume of purchase and to cash payment, I got great prices. The cooperative went from being an office to a warehouse in Zizurkil. This enabled us to have storage capacity and, as a result, to optimize the cooperative’s purchase management” - Antxon Garmendia, founder of Plastigaur.

1978-1998: the germ of Plastigaur

In 1978, a married couple who made paper bags in a workshop on Easo street in Donostia, *Bolsas Ortiz*, were about to retire and made an offer to Antxon to transfer the business. Although Antxon was still the manager of Comaypa, he did not miss this opportunity. He thought about his younger brother, Juan Martin, who then was doing his military service, and offered him the chance of running this business. He needed one million pesetas for the transfer, and after discussing it with his mother, Teresa Sarriegui, she guaranteed a loan for that amount. After his brother finished his military service, he took over the Ortiz enterprise and continued to manufacture bags.

Barely five or six months had passed when Antxon spotted another business opportunity. This time it was a manufacturer of paper napkins who was also a supplier of the cooperative and apparently he wanted to sell a machine.

"I spoke to Juan Martin and proposed we set up a society in which we added the production of napkins to the small business of paper bags he ran individually. We went to buy the machine, but it had just been sold to a small workshop in Gijón. We had no idea how much a new machine would cost and so we visited a manufacturer in Alcoy. The price was 3 million pesetas, and we decided to buy it" - Antxon Garmendia, founder of Plastigaur.

Thus, a new paper napkin factory was added to the small paper-bag business. Both brothers and their respective wives (Maite and María Antonia Goñi Pérez, who were sisters) were involved in the business. The four of them created a trading company and in 1979, Manipulados Enara S.A. was born.

"The company sold bags and napkins both to the cooperative and to other consumers, and soon customers from all over Spain were ordering napkins. Within a few months, we had to hire two employees to help Juan Martin. The demand for napkins was so great that we expanded production from one shift to two, and shortly after we had to set up three shifts. Juan Martin was in charge of one shift and the new employees were in charge of the other two" - Antxon Garmendia, founder of Plastigaur.

In 1980, with the machine working at full capacity, they had to move to an industrial area and acquire a 500 square meter industrial plant. In just a few years, the business which had begun with not much capital, multiplied its production by ten, forcing them to buy new machinery and hire more staff.

"In 1980 we looked for a new plant in Martutene, where we moved the bag and napkin machines to. The napkin machine was working at its full capacity, which is why we purchased a second and then a third one. We were producing 1,000,000 napkins per day. Those were very good years. As a result of my work at the cooperative, I had gained the trust of the banks with which I had worked for many years and as no commercial risk was involved, they allowed us to continue growing..." - Antxon Garmendia, founder of Plastigaur.

In 1982, a new opportunity arose. Gráficas Ibares was a plastic bag manufacturer which had serious financial problems and decided to sell its plastic section (with all its machinery) and continue only with priming. Since plastics had just entered the Spanish market and supply was still limited, they spotted a business opportunity and decided to buy the extrusion machines, which they took to the Martutene factory.

"We took some of their workers so that we could make a quick start in the plastic business. We began producing polyethylene film both for packaging rolls and for plastic bags. The plastic market started to grow while the paper bag and napkin business was becoming more competitive and was less profitable. In the end we decided to sell the napkin business and to focus entirely on the plastic business, moving to Andoain where we founded the current Plastigaur" - Antxon Garmendia, founder of Plastigaur.

Illustration 3. Aerial view



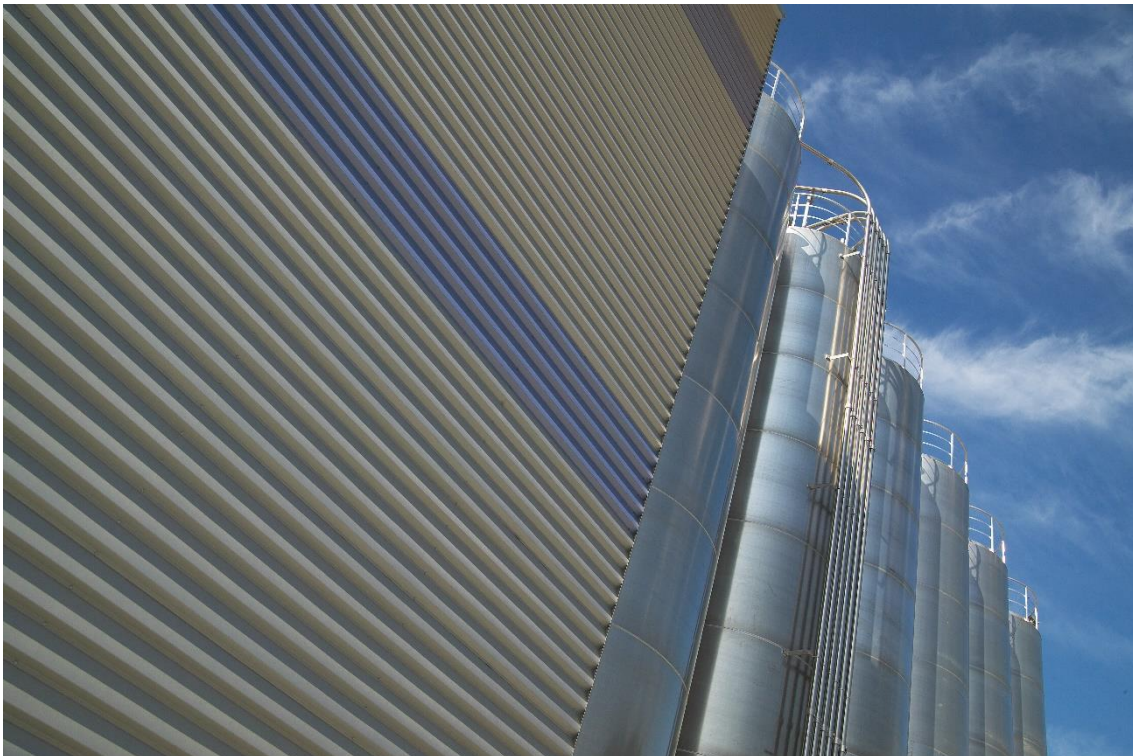
Source: Plastigaur

Plastigaur began in a 2,000 square meter plant in the town of Andoain in 1989. The size of the new business led Antxon to leave the management of the cooperative and to join the newly founded Plastigaur as Managing Director. His brother Juan Martin was the Production Manager and his wife María Antonia was the Chief Administrative Officer. Gradually, as the plastic market grew, more investments were made and the second-hand machinery that was purchased at the start of the activity was replaced by new machinery. Activity during those years was so intense that the machines never stopped except for one week of maintenance at the end of the year. However, these were not easy years. In 1998, the floods in Donostialdea had a devastating effect on Andoain. Despite the factory being located high up, the force of the water burst the factory's retaining wall, destroying nearly half of the machinery.

“We were on television. We thought it was the end of the company. Fortunately, we received financial support from the Basque Government and Elkargi guaranteed an important loan of 100 million pesetas to buy new machinery. At first, we bought second-hand machinery because it was faster to do so, and then, thanks to the financial support we received, we purchased new and more modern machines. We responded very quickly after the disaster: 48 hours later, the factory began to work again, partly outdoors, with the few machines that were not damaged. I remember it perfectly, everyone one of us made an effort” - Antxon Garmendia, founder of Plastigaur.

Despite this misfortune, the new investments were useful for renewing the machinery, installing a pneumatic system and improving the storage of raw material. The raw material, which was brought in 25 kg sacks, could then arrive in road tankers and be stored in silos.

Illustration 4. Plastigaur’s silos



Source: Plastigaur

1999-2003: the consolidation of the business and the entry of the second generation

Thanks to its trajectory and the way it had renewed itself, the firm built a strong customer base and gained a relevant market share in Spain. Until then, the firm's growth had been based on the manufacture and nationwide sale of a commodity, a standard plastic film, i. e. it was an undifferentiated product with small added value.

However, the size of the firm allowed it to start developing its R&D&I, which in 2000 would become a priority. As a result of this activity, the range of products improved and expanded. Firstly, a stretch wrapping foil for tertiary packaging was developed, the so-called *stretch hood*, for which Plastigaur became a reference supplier in the palletized load wrapping industry. The stretch hood was a mayor technological breakthrough as costs were minimized in the packaging process, less plastic was used to wrap up the pallets and heat sources were not necessary in the process. Secondly, the film was optimized for secondary packaging, where several products are grouped together in a single external packaging, which meant a more sophisticated product and thus greater added value for the company.

Illustration 5. Plastic processing



Source: Plastigaur

It was in January 1999 when Nerea Garmendia, one of Antxon Garmendia's daughters who had studied Business Management and Administration at Deusto University, joined the company. Nerea had been linked to the company since she was a little girl in one way or another. The strong relationship Nerea had with her sister and with her aunt and uncle, María Antonia and Juan Martin, and their two children, meant that both founding families lived through the ups and downs of the company on a daily basis. In addition to this day to day contact, Nerea spent her summers and vacations doing small jobs in the company. However, it was not until she had finished her university studies and had her first professional experience, that her father told her to join the company. Although Nerea wanted to have more professional experience outside the family business, Antxon convinced her that it would be convenient to join the company as soon as possible.

"I started training in the finance department, which at that time was the area that interested me the least, but my father managed to convince me otherwise and told me: 'Don't worry, start here and you will do other things later...'" - Nerea Garmendia, Financial Director of Plastigaur.

After the first few months, Nerea soon became familiar with the ways of the business and began to automate certain financial processes.

"Paying cash was my father's maxim, which was key to the company's success, and we still follow it. He always had a huge paper at hand, with a very clear table with the loan amounts, the due dates... I remember that everything was kept on paper and calculated by hand..." - Nerea Garmendia, Financial Director of Plastigaur.

Following that first phase in the finance department, Nerea was made responsible for matters related to quality, the environment and occupational risk prevention. These areas were totally new in the company, and Nera put her heart and soul into them during the years after joining the company.

"I had to train in quality assurance and learn about ISO certificates, and it worked out very well. We got the ISO 9001 certification for quality management in 1999 and the ISO 14001 for environment management in 2001. In the area of occupational risks, I obtained a Health and Safety Management Diploma and then in 2006 we got the OHSAS 18001 certification [Health & Safety Management System]" - Nerea Garmendia, Financial Director of Plastigaur.

Shortly after, Nerea married Luis Artola, one of her university classmates. When their first child was born, Nerea started working part-time.

Meanwhile the business continued to grow and in 2004 the management decided to build a new factory. To the previous 2,000 square meter plant, a new one with 5,500 square meters was added, which included a mezzanine of more than 1,500 m². Plastigaur's current surface is about 9,000 square meters, where 20,000 tons of plastic are produced every year. Plastigaur is the sole plastic film manufacturer in Gipuzkoa.

The opening of the new factory was a turning point and from that moment on the founders decided to give way to the new generation and maintain their relationship with the company through the Board of Directors. With the aim of maintaining the same spirit and vocation of the business, Antxon thought about his son-in-law, Luis Artola, for the position of manager. Bearing in mind his training and career, Antxon decided to ask Luis to join the family business, and after weighing up the offer, Luis accepted.

"The business project was attractive, giving him the possibility of a great career. I think these were the main reasons for Luis accepting the position, which was not an easy one, since managing a family business project was a great responsibility" - Nerea Garmendia, Financial Director of Plastigaur.

After Luis had spent a few months in the company in the different areas of management, and then a year working closely with Antxon, he took over the business. It was in 2005 that Luis Artola continued Antxon's work and became Manager of Plastigaur.

"At the management level, I wanted to pass on to Luis that both the purchase and the financial aspect were crucial for a business like ours. The added value is relatively small and raw material represents 70% of the weight in the business, and so market price fluctuations have a great influence. It is, therefore, very important to buy well, i. e. to take into account volume and payment" - Antxon Garmendia, founder of Plastigaur.

Illustration 6. The Plastigaur building



Source: Plastigaur

2005-2012: the professionalization of the company

Luis became Manager, having total independence in decision-making. However, as Antxon had been responsible for different business aspects, Luis found himself in charge of many areas which included everything from production to planning, to purchasing and customer service.

"In the past, everyone did everything including the manager. The production manager, for example, in addition to supervising the formulations, had to plan, report... Despite its growth, the business had not progressed in terms of its organization" - Nerea Garmendia, Financial Director of Plastigaur.

In view of this situation, a decision was made in 2008 to transform the family business into a professionalized family business. This process was part of the Strategic Plan 2008-2012, which focused on the company's reorganization. To achieve this objective, a consultancy firm specialized in organizational issues designed the Pyramid Project.

"The industrial manager also used to play a part in commerce and all the decisions were made by a few people. This can work very well up to a certain size of a company, but if you grow as in the case of Plastigaur and if, in addition, there are changes in the people in charge of the company, organizational changes have to be considered" - Josu Varela, Production Director of Plastigaur.

At the management level, the Pyramid Project helped to make the role of each position clear, moving towards greater specialization and delegation so that the general management really relied on the people in charge of the different functional areas. Accordingly, the technical and production managements were separated, a commercial management was created, and the financial management was maintained. As a result of these changes, the organizational chart of the company was renovated by introducing a specialized management team with decision-making capacity by means of a Management Committee. This body was made up of a Commercial Director, a Technical Manager, a Production Manager, a Finance Director, and the General Manager. As for the family, the position of Nerea Garmendia, who was head of the financial department, as well as the position of her cousin Ion Garmendia, who was in charge of maintenance, were secured.

Each department was reorganized or at least functions were restructured, making clear who was responsible for what and who did each task. Defining the different responsibilities and functions meant a great change in the way Plastigaur was organized.

"The internal management of growth is a challenge. After the Pyramid Project, the organization was much clearer and more disaggregated, which has implied increasing the delegation of duties, which in turn has meant that more people must take on responsibilities in the organization. In addition, we must be careful that with this reorganization, the warmth, trust and values that characterize a family business do not get lost" - Josu Varela, Production Director of Plastigaur.

In addition, within the framework of the Pyramid Project, and so as to optimize the ways of functioning to be able to respond efficiently to business growth, process management was introduced. For this purpose, interviews with all the staff were held and BPM (Business Process Management) was implemented which, together with ERP (Enterprise Resource Planning), aimed to automate and digitize the key business processes.

In short, the Pyramid Project was far-reaching and required a great deal of communication. It is important to explain that the final objective of the changes was to professionalize the company's organization and management. During the implementation of the Pyramid Project, internal marketing campaigns were launched, under the slogan "Diversify and be open to the outside while keeping the family values". On the walls of the Andoain factory images of this campaign are still to be seen, with Basque sports pictures representing values such as effort, commitment and teamwork.

"We have professionalized the management and attracted new talent who are experienced enough to carry out the advanced projects with which Plastigaur wants to continue growing. But, as always, people are the most important. We are aware that we need people with a specific profile. But we do not want just highly qualified technical professionals, we also need open-minded, hardworking, involved, humble people, eager to grow and learn in the Plastigaur project. We have a great project, which is what is important, and we know that nobody is indispensable in it" - Josu Varela, Production Director of Plastigaur.

2012-2020: adding value

In spite of the new team's significant improvements, Plastigaur's product was still an undifferentiated plastic for tertiary and secondary packaging. To be able to advance into the production of primary packaging, which is in direct contact with the product itself, the company had to enter the world of printing. And this was Plastigaur's great objective included in the Strategic Plan 2012-2016.

"Customers had always demanded this from us. There were some customers who bought the plastic without printing and bought the printed plastic from other suppliers. But there were those who bought nothing from us because we did not offer them a complete portfolio. We were experts in extrusion, but not in printing" - Nerea Garmendia, Financial Director of Plastigaur.

Once again, the company made a decision because of an opportunity offered to Luis: a proposal from some promoters with experience in printing. Although it turned out not to be a real opportunity as the project did not go forward, the management of Plastigaur had already taken many steps in this direction and decided to go ahead alone. This meant new investments, new capabilities, new products and new challenges, and once again, initiative, investment and commitment, the key factors in the growth of this family business.

"We got a proposal to participate jointly in a printing company, which meant we could enter the market with higher added value and greater margin. To be able to do this we had to provide an additional capital of 2 million euros for that company. But the behavior of those who were going to be our partners was not very ethical, which led us to abandon the project and try to enter the printing world alone" - Nerea Garmendia, Financial Director of Plastigaur.

And thus in 2013 a machine was bought, based on new German technology, and in 2014 it began working. The manufacturer of the printing machine, Windmüller & Hölscher, helped in the whole process.

"We have always chosen cutting-edge technology, the most efficient machinery and looked for the highest product quality" - Nerea Garmendia, Financial Director of Plastigaur.

Illustration 7. New plastic color printing machine



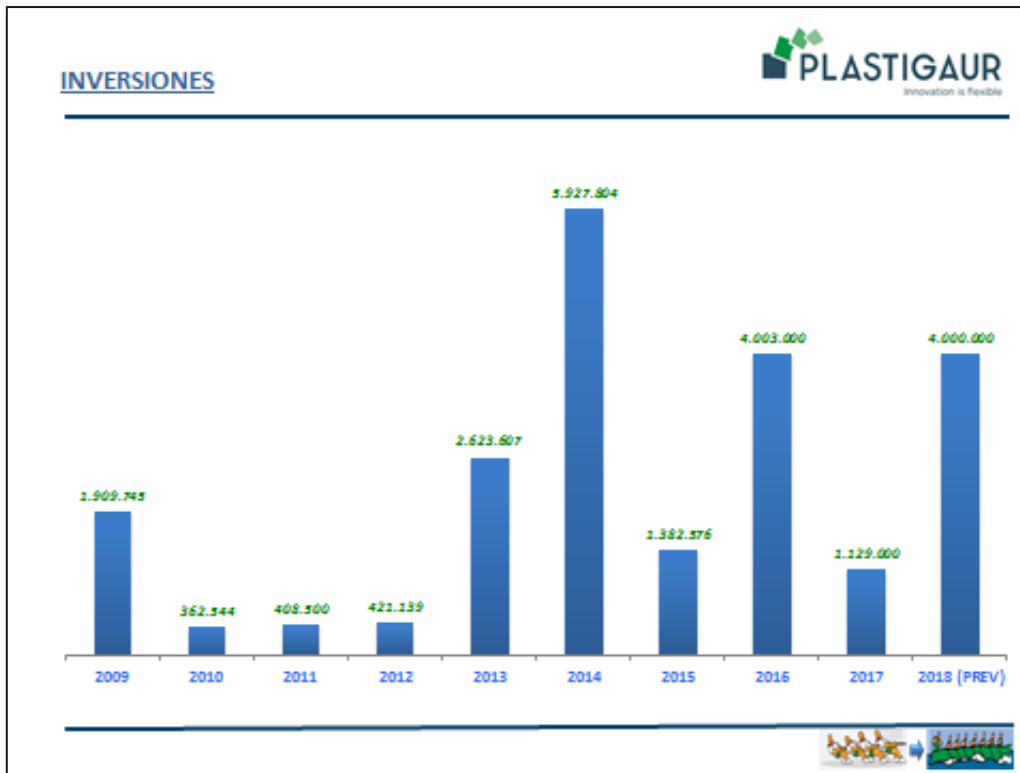
Source: Plastigaur

But in addition to machines, knowledge was also needed to be able to offer a printing service. For this reason, the company hired a specialized team in printing from Barcelona. With this team and the new machines, a printing and converting division was created, aimed at new markets and sectors with higher added values. Also, newly trained people were incorporated so that they could learn how to use the new equipment, and enough staff (initially in training) was hired to potentially cover two additional shifts. Consequently, the firm was overstaffed at first.

In addition to printing, in 2015 Plastigaur decided to enter the food industry. With the purchase of a laminating machine, the company was able to provide barrier properties to its product. From then on, Plastigaur could offer a plastic composite suitable for primary packaging in the food industry.

“Nerea Garmendia, the financial director, usually asks me: ‘But when are we going to stop? Will we never have a quiet year, without such big investments?’ And I answer: ‘We will stop when you decide to!’. Without the family’s initiative, dedication and commitment to the future of the company, all this would not be possible” - Josu Varela, Production Director of Plastigaur.

Figure 2. Evolution of Plastigaur's investments (2009-2018)



Source: Plastigaur

Plastigaur produces plastic film through hundreds of different formulas with hundreds of printing designs. It is a sophisticated product because of its formulation and its customization. Its competitive advantage of differentiation is based on a high control of the packaging process at the customer's premises. The new 2017-2020 Strategic Plan goes even further with this strategy and its objective is two-fold. Firstly, based on the potential of the new endowment, Plastigaur's expansion in the market is due to the introduction of high added-value products. Secondly, productive efficiency is attained through 4.0 Industry projects, while sustainability and circular economy are achieved through a clear commitment to renewable energy, thanks to projects such as the firm's 100 kWp photovoltaic solar system, integrated waste management, efficiency in energy consumption, the BAT standard (Best Available Technology) in the purchase of machinery and an ISO 14001 system for environmental management.

The future of the family project

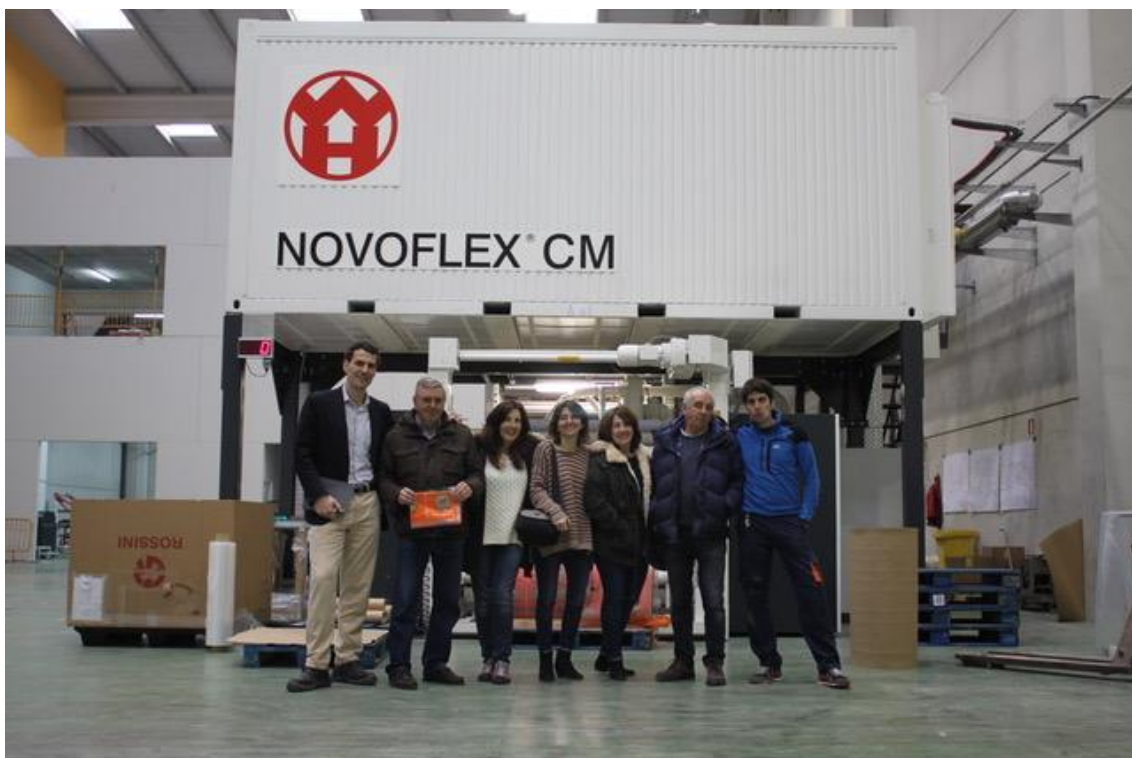
Plastigaur is the result of the business made up of two marriages and the children of these two families. Two brothers married two sisters, and these two couples were first linked in Manipulados Enara and then later in what is today's business project, Plastigaur.

"My first memory is not of Plastigaur, but of the paper napkin firm. We used to go to the factory at the weekends and walk amongst the machines. My memory is physical because one day, when playing among the rolls of paper, one of them fell and wounded my foot. I can still see it. I remember that many Sundays we would gather at my grandparents' house and spend the afternoon putting napkins in cardboard boxes. It was like a game to me..." - Nerea Garmendia, Financial Director of Plastigaur.

Since the aunts and uncles were also partners in the business and the cousins were the same on both sides of the family, relationships have always been very close amongst the members of the family.

"We have the same surnames, the same aunts and uncles and grandparents... we have always been together. We used to spend the summers together and go to the same school... We used to meet at our grandparent's house and help at work" - Nerea Garmendia, Financial Director of Plastigaur.

Illustration 8. Garmendia family at the factory: opening of the printing division



Source: Plastigaur

Both couples have two children, one has two girls and the other two boys. Nerea is the oldest of the cousins and the most business-oriented. In fact, during some summers she worked with some friends at the factory to earn money.

"Although there are four partners in the company, the entrepreneurial profile is that of my father. Being the eldest daughter, it was only natural that I succeeded him. I suppose that's why they encouraged me to follow in his footsteps. The truth is that I have always been a studious and disciplined person, but I would have liked to work in another place first, in order to gain more experience. In fact, I carried out my Erasmus studies in Buenos Aires and I also did an internship in the firm Ibermática in Argentina, but my father wanted me to join Plastigaur" - Nerea Garmendia, Financial Director of Plastigaur.

In 2017, only one descendant of each family branch continued to work in the company. The rest have no interest in the business and so succession is natural. Also, the son-in-law of one of the families occupies the position of General Manager. Therefore, after the transfer from one generation to the next, two members of the owner families hold managerial positions in the company.

By mutual agreement, the new generation took over the company in 2005. Three of the four partners worked in the company. Although they were still young, the fact that some partners wanted to leave, together with the incorporation of a new general manager, made it advisable for all of them to leave their management duties.

In November 2017, nominated by the Basque association of entrepreneurs Adegí, Antxon Garmendia won the 'Joxe Marti Korta' Award in recognition of his business career. At the awards ceremony, the entrepreneur received this award from the President of the Basque Country, Iñigo Urkullu.

Illustration 9. Antxon Garmedia, together with Arantxa Tapia and Iñigo Urkullu, at the 'Joxe Mari Korta' awards ceremony



Source: Plastigaur

Looking ahead, one of the challenges Plastigaur faces is formalizing the participation of the business partners in the corporate governance. Following their market success and the restructuring undertaken to manage the size of the company, it is time to address the issue of governance in the business family which will underpin Plastigaur's project and give it long life.