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Family-owned business succession and governance: a multiple case study in Brazil

Sucessão e governança em empresas familiares: estudo de múltiplos casos no Brasil

Leonardo Roth
Mestre em Administração pela Universidade de Caxias do Sul. Professor da Universidade de Caxias do Sul, e gestor responsável pelo setor de protocolo acadêmico. Caxias do Sul, RS. Brasil. *E-mail*: lroth@ucs.br

Maria Clara Heinz Tissot
Graduada em Administração pela Universidade de Caxias do Sul. Gerente de marketing do Hotel Alpestre (Gramado). Gramado, RS. Brasil. *E-mail*: mchtissot@gmail.com

Roberto Birch Gonçalves
Doutor em Administração. Universidade de Caxias do Sul - UCS – UFRGS. Diretor do Instituto de Pesquisas Econômicas e Sociais. Caxias do Sul, RS. Brasil. *E-mail*: rbgoncal@ucs.br

Abstract

One of the main threats to the continuity of family-owned business is the poor management of the succession process between generations of the family. This risk factor can be avoided when the process works properly and can also become a renewal and strengthening tool for organizations. The aim of this study is to evaluate the different factors that trigger the succession, as well as the various ways in which companies act and react to the process and the succession's turbulence. The methodology used was a qualitative study of multiple cases in four representatives family-owned organizations in south of Brazil. These families are going, either have passed or have chosen not to go through generational succession processes. The results show the process can be an opportunity to improve the company's management. Moreover, it shows that there is no single model to follow, but good practices that can be applied to each case.

Keywords: Family-owned business; Corporate governance; Family succession; FOB

Resumo

Uma das principais ameaças para a continuidade da empresa familiar é a má gestão do processo de sucessão entre gerações da família. Esse fator de risco pode ser evitado quando o processo funciona de forma adequada e também pode se tornar uma ferramenta de renovação e fortalecimento para as organizações. O objetivo deste estudo é avaliar os diferentes fatores que desencadeiam a sucessão, bem como as várias maneiras em que as empresas agem e reagem ao processo e turbulência da sucessão. A metodologia utilizada foi um estudo qualitativo de casos múltiplos em quatro representativas organizações familiares do sul do Brasil. Estas empresas estão passando, ou já passaram ou optaram por não passar por processos de sucessão de gerações. Os resultados mostram que o processo pode ser uma oportunidade para melhorar a gestão da empresa. Além disso, mostra que não existe um modelo único a seguir, mas boas práticas que podem ser aplicadas a cada caso.

Palavras chaves: Empresas familiares; Governança corporativa; Sucessão familiar; FOB

1 Introduction

More than 90% of brazilian organizations are family-owned business (Sebrae -MG, 2013). These companies have in their list of difficulties a problem that is internal to their structure: the process of changing management position from one generation of the family to the next. This succession process creates doubt and insecurity in brazilian family-owned businesses (FOB), because as in emerging countries, it also has its property structure concentrated in the family (AGUILERA; CRESPI-CLADERA, 2016).

In a PWC- Pricewaterhousecooper (2013) research with about two thousand respondents worldwide, almost half of the total number of brazilians reported concern with the transfer of management to the next generation. However, half of respondents also said they believe that this moment is an opportunity for renewal in the company.

Despite the often-negative numbers on FOB (out of 100 new organizations founded in Brazil, only 30 passed to the second generation, 15 to the third and only four of those to the fourth) these enterprises account for about two million jobs and reflect directly on 12% of agribusiness' GDP, 34% industry's and 54% services' (SEBRAE, 2013). Therefore, the process of succession appears as an important element for the survival of FOB.

In that sense, some strategies may lead to better results. Foresight and advance planning increase the chances that the succession will take place in a healthy and peaceful way and it can still become a beneficial time for the organization (FERRAZZA, 2010). To optimize the relationships in the FOB before, during and after the succession procedure, it is indispensable to implant a culture of transparency and clear rules on the three systems that make up FOB - business, family and ownership (BORNHOLDT, 2014) - so that its members know their duties and their responsibilities to the FOB. This can be done through a family protocol (CARDONA; BALVIN, 2014).

Another administrative tool that has proven effective for this purpose is the Corporate Governance, which is used to combine best practices and regulations within organizations. Through instruments such as the Board of Directors and the Family Council, companies that implement the Governance practices regulate the coexistence of the three systems, reducing internal divergences and increasing the market value of the business.

FOB is conflicting in its nature because it means the relationship of two differently delicate factors: business and emotions. Therefore, the family atmosphere may interfere with decisions made by family managers (CABRERA SUAREZ et al., 2014). It is common to perceive a climate of injustice in the company by non-family employees because of differential treatment given to family members (CARMON et al. 2010; SPRANGER et al. 2012)

For that reason, the aims of this study are to evaluate the different factors that trigger succession, as well as to identify the different ways in which companies act and react to this process and the turbulence of it, making family succession a strategic alternative aiming not only to change management but stakeholder management and organizational performance. Also, to analyze how FOB can, through the Corporate Governance process, turn family succession into a strategic tool aiming not just at the change of command, but also increase the manageability of those involved with the organization.

The study shows not only that the succession may be an opportunity to improve management, but also that there is not only one model to be copied, yet there are good practices that can be applied to each case.

2 Family-Owned Business and Corporate Governance

Aguilera e Cuervo-Cazurra (2004) argues that two processes have increased the need for monitoring mechanisms and that promote corporate governance. First, the globalization resulting from the intensification of the internationalization of economies. Second, the transformation of the ownership structure of organizations through the growth of institutional investors, the privatization of economies and the increase of the activism of the shareholders. Mainly because the definition of governance practices and codes has not only a role related to the efficiency of the markets, but also has a legitimating role of their leaders (AGUILERA; CUERVO-CAZURRA, 2004).

FOB coexist and must to run daily with the individuals and, sometimes, diverging interests of the family and the company (management and shareholders) (BORNHOLDT, 2014). Because this it´s possible to set the family business as a three-dimensional pattern system consisting of: family, business and ownership (DAVIS, 2003), this model is presented at Figure 1.

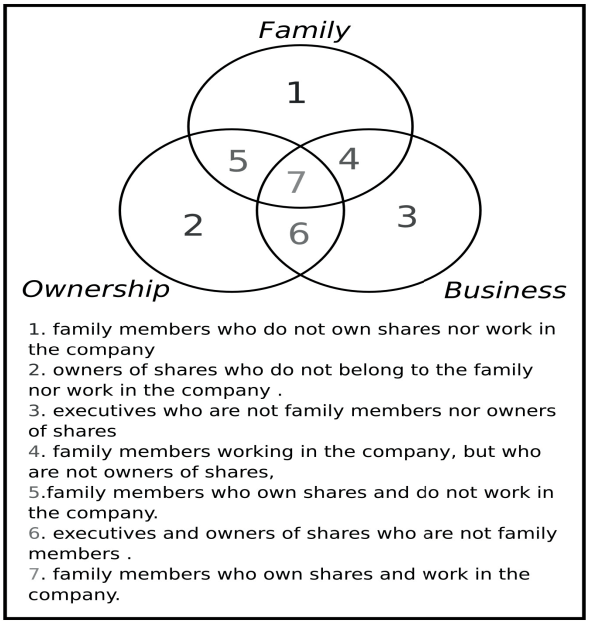

Figure 1: Model of the three circles of the family-owned business
Source: Tagiuri and Davis (1996)

When one of these components wants its interests overlapping the others', the whole system is in danger of decline. For example, heirs who believe that because they are "business owners" they can exercise their "power" enter the company, often in an unqualified situation, against the wishes of other business partners and undermine the business management.

The three overlapping subsystems of Figure 1 can also be used for every person involved in FOB to locate their position within the system, considering the seven possibilities between family, ownership and business. The scheme helps understand the family business, as it clarifies the sources of its interpersonal conflicts, priorities and limitations, as well as its problems and their causes.

In this scenario, the measures to be taken and the tools to guide and regulate the life and coexistence of these three entities should be evaluated, regulating the individual interests in favor of the collective interests (the business well-being). One of the most used tools for regulating organizations is the Corporate Governance. According to the IBGC (the Brazilian Institute of Corporate Governance), corporate governance is "the system by which organizations are directed, monitored and encouraged, including the relationships between owners, Board of Directors, Executive Board and the control entities" (IBGC, 2010, p. 19). Bornholdt (2005) defines it as: i) the business system and the board of directors form the management; ii) the corporate system, the shareholders and partners form the ownership; iii) the family system and the family council form the family.

Corporate Governance is an alternative for the succession process to occur in a more balanced and regulated manner because it cherishes transparency and good practices by setting rules, structures and roles of all involved in FOB, facilitating dialogue with the shareholders (LIN et al., 2015) and minimizing the conflicts in relationships. Thus, the main objective of corporate governance is to strengthen the company so that it can develop and perpetuate, becoming increasingly more attractive to the market (VELLOSO, 2012).

In Brazil, the practice of Corporate Governance in companies has been growing, especially after 1995, with the creation of the Brazilian Institute of Management Advisers (IBCA). The institute brought together professionals to develop strategic actions as external counselors in brazilian companies. Since 1999, the institute was renamed the Brazilian Institute of Corporate Governance (IBGC) and has published a manual of "good governance practices" (SILVA, 2006).

To the IBGC (2013) the basic principles of corporate governance are Transparency; Equity; Accountability; Corporate Responsibility. Therefore, Steinberg (2003) argues that Corporate Governance requires transparency within companies, that is, while there are many interests of family members, managers and partners, governance is the adoption of ethical principles to which individual goals are waived, aligning interests.

In addition to optimizing the coexistence in FOB, corporate governance plays a more fundamental strategic function: it facilitates the company's access to capital. When adopting the basic premises of Corporate Governance, organizations become more attractive to the market (STEINBERG, 2003).

According to Bornholdt (2014) when being evaluated for possible investments, a family business can reach double its original value if compared to a company that does not have the governance implanted. Still, one of the difficulties that can be diagnosed in family businesses for the implementation of Corporate Governance is the resistance to open up and share data, information and management methods (SILVA, 2006).

The need for the implementation of the corporate governance process can arise from any one of the entities of FOB, for different reasons (BORNHOLDT, 2005), as shown in Table 1.

Table 1: Reasons to implement corporate governance

REASONS TO IMPLEMENT CORPORATE GOVERNANCE	
Family	Conflicts caused by the lack of rules and standards, such as: demand for financial resources or job opportunities by family members.
Business	Strategic planning: the need to develop successors, program the search for outside professionals, or even be prepared for the combination of the two.
Ownership	Legal demands, disputes over votes and conflicts of interest between partners. In addition, there is concern about the future of the company and the admission of new members, possible mergers and acquisitions.

Source: Adapted from Bornholdt (2005)

It can be said that all the reasons mentioned in Table 1 have in common the origin in lack of standards and clear rules to avoid conflict and abuse of power, to avoid the climate and the reality of injustices in the environment of the company perceived by employees not belonging to the family (CARMON et al. 2010; SPRANGER et al. 2012). Governance is a solution for these situations, as it is formed by controlling entities that operate precisely in the regulation of relations (ANDRADE; ROSSETTI, 2004). It can be highlighted two of these entities as being of fundamental importance for the management of FOB: the Board of Directors and the Family Council (CARDONA; BALVIN, 2014).

The board of directors is the main component of Corporate Governance. It is often called the guardian of the corporate social object, good practices and governance system for being responsible for the course the company takes. It must always take into account all share and stakeholders and act in accordance with the organization and its bylaws (IBGC, 2013).

Elected by the shareholders, with a two-year term (there is possibility of re-election), this board should work with the focus on the long term and always seek the best for the organization (IBGC, 2013). This group is responsible for decisions and strategic control of the company, making the link between management and ownership. The board of directors is empowered by shareholders and they should be accountable (IBGC, 2010). However, when there is a controlling shareholder, the role of the board in monitoring management tends to be reduced, since the controller himself is interested in assuming this role (DESENDER et al., 2013)

Unlike the board of directors, the family council looks after family matters, about what they think and how to align their expectations of FOB (IBGC, 2010). The family council has its origin in Europe when traditional FOB "to maintain family harmony and prevent domestic problems from harming the company [...] created a group in which, certain family members represented the interests of all" (DAVIS, 2003, p.100). It is important to consider the implementation of this organ in business families (CARDONA; BALVIN, 2014) so that, through it, doubts are clarified, information can be provided about the evolution of business to those members who are not directly linked to the organization and to preserve the family interests (DAVIS, 2003).

Silva (2006) states that, to facilitate and focus on the objectives of the family council, some documents should be created to help guide the company and family, such as: Code of ethics of the family, FOB policies, roles of the board of directors and top management, family governance, family succession policy, family culture and family goals.

Just as in business, it can be observed that the family council should also have a formalized and regulated structure, but unlike the board of directors, in this case the focus will be on the family, not directly on the business (IBGC, 2010).

On the composition of this council, there is no formal rule. There are variations according to the generation in which the management of the company is in, as well as according to the rules of each family, for example, some families choose to accept on the council only direct family members, in other cases, wives and husbands of family members are also accepted.

2.1 Heirs and Successors

The family succession can be seen as a strategic growth opportunity in business if FOB managers work to make heirs into successors (CURY, 2014). All children are heirs, they can inherit from their parents the genetic load, moral values, property or a family business. However, successors not only receive FOB, but also start to serve on the company's daily routine. Thus, business families that aim to keep their business in the hands of future generations need to prepare successors to assume leadership positions, because "without forming creative successors, bold strategists, that think in the medium and long term and live under the 'law of maximum effort', families will be fragmented, companies will ask bankruptcy " (CURY, 2014, p.19).

There are two main schools of thought on the technical preparation of young successors (BORNHOLDT, 2005), and none is absolute, after all, the companies, as well as families, are unique and must be analyzed that way. The first line of thought believes that the ideal is that the successors learn early to work within the family business. Starting in low-level positions and growing gradually, going through all (or almost all) the company's departments. The main advantage of this method is that when they reach leadership positions, the successors have great knowledge of the business and high level of engagement with employees.

The second school of thought is that young people should make their technical learning in companies other than the family-owned business (FOB). The main objective would be not to live with the pressure and the daily routine of being the "heir". Also learning other organizational cultures and developing entrepreneurial skills in companies with different environments from that of their firm.

Both methods have advantages and disadvantages and should be analyzed taking into account the family and business environment. The shareholders' agreement, which often regulates the entry of new family members in the company, should also be taken into account.

3 Research Method

From the point of view of its objectives, this research is characterized as exploratory, that is, it proposes to seek more information on the topic and the problem chosen based on literature sources in collected reports through interviews with those who have gone through experiences related to the subject (HAIR, 2005). This study had a qualitative research approach due to three reasons: i) the research is focused on the quality overlapping the quantity; ii) the data sample is small and the most important factor is the quality of the interview itself, the observation; iii) the model used does not require the use of statistical methods (PRODANOV; FREITAS, 2009).

As this work's data source, one of the methods used was the interview in deep. This is one of the methods used when seeking information on the field. The interview is also relevant when searching for specific information and people's stories. This research method is useful when the technique chosen by the researcher is the analysis of content, it is useful when seeking to capture the said and the unsaid, the meanings, the feelings, the reality experienced by the respondent, reactions, gestures, tone and rhythm of the voice, hesitations, assertiveness, and the inherent human subjectivity (VERGARA, 2012). A semi-structured script was used to support the interview. The script was developed based on research tools previously used and thus already validated by the authors Ferrazza (2010) and Velloso (2012), where adjustments were made taking into consideration the local realities.

The companies selected present similarities regarding their categorization as family organizations, that is, all were founded by one (or more) member who went on managing the business alongside his family. Another feature of the selected companies is that all of them are living different stages of the family succession. In addition, all the companies have over fifty years of history, that is, they all were founded before 1964.

In its execution, after a first contact made by telephone, the questionnaire was sent to the respondent via e-mail with the presentation letter. Two teachers carried out a pre-test: one with a doctorate in administration and the other, a master in business administration with a specialization in statistics, and as suggestions were pointed out grammatical adjustments for a better interpretation of the respondents.

Later, the recordings of the interviews were transcribed so that it was possible to analyze the content. For Bardin (2004), the content analysis is splicing into three stages: pre-analysis, exploration of the material and the interpretation of results. To develop the analysis of the present data a categorization criteria was chosen, which is used to classify the elements of research and then group them into pre-defined categories (motivation, acceptance, preparation, planning, benefits and expectations).

4 Discussion and Data Analysis

For the research, FOB were selected from the northeast region of the brazilian state of Rio Grande do Sul in order to prove the subject studied. Four executives were interviewed, three were founders' sons or daughters (belonging to the 2nd generation of the family) and one is the founder himself (1st generation of the family).

The four organizations work in different fields of activity (C1, C2, C3, C4), but they all have at least fifty years of experience in their field since the foundation (Table 2). That means that all companies have already exceeded the average lifetime of companies in Brazil, which according to Oliveira (2010), is twelve years for non-family companies and nine years for family ones (in the United States, for comparative merit, it is 45 and 24 years respectively). From an economic point of view, they are significant samples of companies in the State due to the relation of its revenues versus the State GDP. Nonetheless, the number of employees in these companies represents a significant proportion of the city population. Other point is the studied companies are references to the others FOB companies that just began your succession process.

Table 2: Characteristic of the companies studied

Characteristics	Company 1	Company 2	Company 3	Company 4
Year of Foundation	1954	1957	1947	1955
Number of Founders	2	2	3	2
Field of Activity	Metal-mechanic	Media and communication	Hygiene and cleaning supplies	Commerce
Number of employees	600	680	2600	5000
City population	33.187	240.492	81.378	65.672
Annual revenue	R$ 200 million	R$ 90 million	R$ 1.30 billion	R$ 1.65 billion
Revenue versus GDP	0,56%	0,25%	3,63%	4,61%
Number of successions	2	1	1	0
Reason for 1st succession	Disease	Strategic planning	Managers' perception	-
Management style	Professionalism and exchange of experience between departments	Practicality, focus on goals, agility and versatility	Entrepreneurial spirit and investment in creative products	Good control of finance, focus on productivity

Source: Authors

All companies have similar stories in their foundation: the visionary founders with small and artisanal beginning between the decades of 40 and 60. In terms of timing, it may have been a favorable factor to business success as Oliveira (2010, p. 3) puts "there are times of the economy when the situation and structure are more favorable to the emergence of family-owned businesses, such as in the 30, 40 and 50 because there was strong state protection, with subsidies, border protection and even market reserve".

Some similarities may be observed in Table 2 between the companies, which go beyond the foundation history and the family commitment to making the small business profitable. For example, Companies 1, 2 and 4 the foundation took place in the 50s with two entrepreneurs (brothers or cousins) who started the business.

On the corporate structure of the organizations, Companies 1, 2 and 4 are characterized by being private equity companies, where the family owns the majority of shares. In the case of Company 4, for example, the family owns more than 98% of the shares. Company 3 is composed of a holding of equity interests. Family shareholders distribute the shares. The profiles of respondents are shown in Table 3.

Table 3: Profile of respondents

	Position in the company	Education	Age
C 1	Member of the Shareholders Board	Completed High School with a technician course in accounting	70
C 2	Chairman of the Board of Directors	Complete Graduate course	48
C 3	Chairman of the Family Council	Complete Post Graduate course	48
C 4	President of the company and Chairman of the Board of Directors	Completed Elementary School	84

Source: Authors

4.1 Family Succession

On the family structure and the succession process, it was possible to find similarities but also differences: for example, in the families of Companies 1 and 2 there are already four generations. However, in one of them (Company 2), three generations work in the business, in Company 1 only two works. This concentration at first generation occurs due the difficulties of the succession process, not only technical but also psychological. The founders' question is: how can I keep my importance and usefulness? Indeed, sometimes this kind of doubts disturb the succession process more than others causes.

Another difference that can be noted is that in Company 1, two succession processes have already occurred and nowadays the president of the company is a member of the family that belongs to the third generation. In Companies 2 and 3, just one succession has occurred to date and, thus, the second generation is administrating the business. In fact, Leone's (2005) states that 75% of family businesses are under the first generation command (the founders), 20% the second generation and only 5% the next generations.

In Company 4, however, no succession has occurred to date and there are no plans for a succession process ahead. When asked about the future of the company, the respondent who is the founder and the current president of the organization spoke about plans for an outside professional to take command: "[...] this professional is being prepared to be the CEO, he will conduct the company". In relation to when to begin the succession process, it is widely accepted that there is no ideal moment, for every family and business must be individually analyzed according to the various situations with which they deal. In this regard, it can be said that "it is never too early to start the succession process or the professionalization, but sometimes it can be too late. This is an irreversible process, as the founder, even if idolized by his family and employees of the company, is not eternal" (OLIVEIRA, 2010, p.108).

When asked about the reasons to start the succession process in their companies, different responses appeared, as shown in Table 4.

It is important to say that in Company 3 what happened was a perception of the second generation (the successors) that the time had come for the succession to happen, according to the report: "we had to take a stand, it moved to an action that was the meeting with the first generation, showing that it was already time to start the process [...] It cannot be expected for the first generation to easily see that it's time to pass the baton".

Table 4: Motivation for succession

	Response Focus
C 1	In the first succession of Company 1 (from the first to second generation), the reason was the founder's disease. According to C1, the founder was already planning and preparing the successors (his sons), who worked beside him in the business, to take over. In the second succession (also in Company 1), the process came from strategic planning and, according to C1, it had advance planning of approximately 15 years for the preparation of successors.
C 2	The only process happened as a strategic planning tool, with the assumption of perpetuating the family business. The preparation for the process took place in a period of five years in which were held internal feasibility studies and analysis of functional affinities.
C 3	It was a realization of the second generation (the successors) that the time had come for the succession to happen.
C 4	No succession has happened.

Source: Authors

Bornholdt (2014, p.165) argues that this is one of the possible situations to begin the process of succession in FOB: "If the leadership does not take the initiative, the successors must do it." From there the process went quickly (Company 3): with the approval of all, they were in search of more knowledge on IBGC and three months later, they hired a consulting firm so that in two and a half years, they could finalize and formalize the process with the Corporate Agreement.

According to the companies, there was no resistance of any family member to the succession. Company 2 actually commented that the process was discussed, planned and there was a consensus in the family. Company 1 explained that to avoid conflicts they sought to "share the management in the family, there is always a leader, but also members who accompany him for support, taking into account the capabilities of each." Thus, the companies interviewed considered the moments of change in management an important opportunity for strengthening and renewing the business.

With the growth in the number of members in business families, it is common that many do not accept the entry of new family members in the business or when they do accept, create some rules and policies that regulate and qualify the input of these. The answers to this question are shown in Table 5.

Werner (2004) states that having a clear policy regarding the entry, exit, performance and remuneration of the family is essential for a transparent management dodging the feeling of unfairness in the organization (CARMON et al. 2010; SPRANGER et al. 2012). The companies deny that there is any pressure on the young family members to develop their professional career in the FOB.

Table 5: Acceptance of new family members

	Response Focus
C 1	Starting after the second succession, the company now requires minimum academic background and at least 5 years' experience at another company in the same area that is intended to work in the family-owned business. That is, the family chooses to encourage the young to seek outside experience before joining the family business.
C 2	The company has no specific formalized rules for the entry of family members in the business. They do not preach any distinction involving family, schooling or vocational training. The family member will be evaluated in a selecting process identical to that applied to any other candidate. Thus, it is possible to work in the company early, if demonstrated competence to do so.
C 3	The organization has a regulatory policy that is present in the Corporate Agreement. There are rules that allow admiting family members who want to work in the company but require that they have capacity to do so. Although not a prerequisite for entering into the family business, the company encourages and strongly recommends their family members for the search of external experiences in other companies before entering the family business.
C 4	In this company, young family members can work in the business while studying. Upon graduation, they can only work in business if the shareholders and the Board of Directors approve their entry in the business.

Source: Authors

With or without official rules, respondents make it clear that family members may work in the company only if they want and prove their capacity to do so. It agrees with Drucker (2003, p. 90) that says: "family members should not work in the company, unless they are as qualified as any other employee and act with dedication". Unprepared successors and often without own will to take the business, are among the main factors of the mortality of FOB, as stated by Werner (2004 p.44- 45) "one of the most visible factors in the collapse of family companies is the unpreparedness of successors. [...] Successful entrepreneurs in the transition process are those who consider essential the training of their heirs and their team". This fact is an especially serious in emerging nations such as Brazil, where property is concentrated in the family (AGUILERA; CRESPI-CLADERA, 2016).

Another suggestion to be followed by FOB, according to Drucker (2003, p. 90), is: "Regardless of how many family members work in the management of the company and the ability of each of these professionals, it is essential that at least one high post is occupied by someone outside the family group". Table 6 shows the results.

Table 6: Preparation of successors

	Response Focus	Responsible group
C 1	Integrate the young members and teach about the business starting with teens (from fifteen-year-old) through promoted activities	Family Council
C 2	Integrate the young members and teach about the business starting with teens (from fifteen-year-old) through promoted activities	Third Generation Committee

C 3	Begin to teach the young family members about the business early, from the age of ten at fifteen they can do internships to learn and become familiar with the business	Not determined
C 4	After graduation in higher education (college)	Not determined

Source: Authors

It may be noted that there are differences in the way of preparation, related mainly to the owners' perspective. In this case, it is possible that the cultural component, the owners' German or Italian origins, will have some impact on the process. The succession process creates a delicate moment for both the generation that is being prepared to take over as to the generation that will be replaced, even for the employees due the feeling of unfair because they are out of the succession process (CARMON et al., 2010; SPRANGER et al., 2012). For these (in the first generations mostly) the company is like an achievement, the realization of a dream and is often regarded as a "son" of which they are very proud and do not want to separate (BORNHOLDT, 2014).

Therefore, the generation that is being replaced needs help on the planning to find a new objective and form of achievement. Bornholdt (2014, p.167) points out that "[...] if the one who is leaving is not satisfied, he will not feel fulfilled. [...] If not, the succession process cannot be considered well underway". On the plans for the generation that is being replaced, the interviewed companies are still looking to develop and formalize them, according to Table 7.

Table 7: Plans for the generation leaving

	Response Focus
C 1	Have joined the Advisory Board
C 2	Has not yet implemented a Disengagement Plan
C 3	Have joined the Board of Directors
C 4	Has not yet implemented a Disengagement Plan

Source: Authors

As there must be attention to the generation that is leaving, the monitoring of the post-succession process is also necessary, in order to control the results of the new actions implemented in the company's management. The companies surveyed report having closely monitored the post-succession process.

In Company 1 who evaluates the actions taken and the numbers of the company is the Advisory Board, composed by the former senior management and two guests, external professionals (usually senior professionals from other companies). In Company 2, monitoring is done through quarterly meetings where the Council of Shareholders evaluates the company's management performance. In Company 3, the follow-up is given by the Board of Directors, which includes the presence of members of the first generation and external executives. According to the entrepreneur of this company, the presence of external executives in monitoring ensured "calm for the first generation and that what the second (generation) was proposing to do was really viable and modern."

4.2 Strategic Management

The exchange in the command of a FOB is a delicate moment that can bring many doubts and conflicts for both the company and the family. For the surveyed companies that have been through that moment, however, it was an important moment for renewal and strengthening of the business administration.

When asked about whether they noticed strategic advantages in succession, the respondents were unanimous in saying yes (Table 8). Each stressed the points they believed have been more valuable to the company in succession.

Table 8: Key advantages of family succession

	Response Focus
C1	"Innovation in management: the company's growth, the increase in the mix of products and particularly the modernization of logistics."
C2	"Second generation knowledge (current administration): deep knowledge of the policies and values of the Group, as well as their tasks, as initially worked on the most basic functions and climbed to become directors."
C3	"With regard to the understanding of the techniques and modernizations issues, which until then there was no knowledge to put into practice."
C4	It has not undergone any process of succession.

Source: Authors

As noted, C2 sees the fact that the successors have acquired deep knowledge of the business over the years, and have won their space in the direction of the company as a valuable factor in the succession process. Companies 1 and 3 saw in the exchange of generation a modernization injection in the company and pointed this as the most advantageous factor of their succession.

Renewal is one of the aspects that most brazilian entrepreneurs believe to be valuable in the family succession. In the survey of PWC (2013) with FOB worldwide, 50% of brazilian respondents said they trust in this ability to reinvent their businesses with each new generation.

When asked about strategic planning, respondents on this study claim that it is present in the management of their companies. Companies 1 and 2 believe that planning is directly related to the succession process, "with absolute certainty one completes the other". "The proper Strategic Planning sees the succession as a requirement in a family-owned business," said Company 1. Company 2 highlights, "the succession is part of the long-term actions described in the Strategic Planning".

The respondents' answers for what to do so companies maintain harmonious relations between systems (business, ownership and family) are shown in Table 9. It can be noted that although all mention strategic planning as a tool, it is not present in the answers about harmony.

Table 9: Perception of what to do to maintain harmony

	Responses
C1	Our company does not discuss family problems within the company. When there are problems (related to the family), they are discussed in the family council. One of the keys is that the family members have to understand that they are not "owners", they are shareholders. There is no 'I command because I'm the owner'. There are family members who are owners of shares.
C2	The company and the family do not mix, they are distinct entities, each with its assignment of rights and obligations ruled by law. The family does not interfere with management decisions
C3	It is through these combinations: corporate agreement, in addition to the Board of Directors and Family Council that there is a favourable situation for the current and future understandings.
C4	We had, since the first day of foundation, the concern to capitalize the company. We do not divert money for anything. I left rent for an apartment of my own when I completed 25 years of marriage. I paid rent for 25 years but would not take money from the company.

Source: Authors

Given that family members are in business management, it is important to consider the expectations that exist and are placed on these members, both by the operating body of the company and by other members of the family. The responses are shown in Table 10.

Table 10: Expectations of management and family

	Response Focus
C1	Professionalism, responsibility, integrity
C2	Keep record of good management and the company's healthy growth
C3	Keep the culture that they always received from the founders
C4	There was no succession, but the plan is that the business will be managed by external professionals

Source: Authors

It may be noted that expectations are broad and require a lot of capacity and preparation of family managers, because besides the professional expectations there is the perception that the culture is maintained and that there are no retrogression.

5 Final Considerations

Based on the theoretical references and the analysis of the results of interviews conducted with companies, it is possible that the management transition on family-owned businesses is beneficial, not necessarily a dreaded moment to be avoided because of the mortality number to which they are related.

In addition, it was possible to verify that there is no single model followed by these organizations, rather, assumptions and "best practices" followed according to the individual situation of each organization and family.

It was observed that the companies who chose to keep the business in the family, through the succession process, could notice growth and renewal in the management, and no resistance in the family. It is important to mention, however, that all the interviewed companies focused in professionalized succession, accepting in the company only the entry of family members that show being able to work in the respective roles.

In addition, all companies that have succeeded in the succession process confirm the importance of creating councils and boards, such as the Administration, the family (CARDONA; BALVIN, 2014) and the Corporate, so that the three entities (family, business and ownership) live in greater harmony.

The use of administrative tools, such as Corporate Governance, to ensure the transparency, proved effective to ease the conflicts that are quite common in this process.

In addition, it was confirmed as studied in the bibliography of this research, that there is no single recipe or ideal formula for the best performance of the succession process. However, when the process is known and analyzed in advance by the members involved, thus having its relevance fully understood, there are more chances for effective continuity of the FOB.

Finally, it was observed that in some cases companies flee the standard of good practices, and still have a successful story. However, it must be noted that these are the exceptions to the rule.

Although the companies in this study are mature and representative in the studied region and in Brazil, the results refer to the four cases and cannot be generalized. The study also is limited by the opinions of respondents, even if they represent the entire history of the company and its founders, the interviews were not made with other executives to obtain a wider range of observation.

A suggestion would be that studies be conducted on companies that have implemented the same stages and forms of succession performed in this study for a longer period, observing the efficiency of procedures in terms of economic and family results in order to show the possible future for family-owned businesses. Also, performing quantitative studies with companies in previous processes to observe the expectations in terms of succession, to obtain a guide with quality information, and so resulting in a script to assist these organizations in their future succession processes.

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