



ISSN: 2230-9926

Available online at <http://www.journalijdr.com>

IJDR

International Journal of Development Research

Vol. 11, Issue, 04, pp. 45980-45987, April, 2021

<https://doi.org/10.37118/ijdr.21426.04.2021>



RESEARCH ARTICLE

OPEN ACCESS

PRACTICES OF GOVERNANCE IN THE POLICY OF BUSINESS SUCCESSION: FAMILY IN CONTROL?

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ARTICLE INFO

Article History:

Received 28th January, 2021

Received in revised form

19th February, 2021

Accepted 17th March, 2021

Published online 13th April, 2021

Key Words:

Succession Process. Family Business.
Corporate Governance.

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ABSTRACT

The Distributor Fish located in the Brazilian of States of Santa Catarina had its date of foundation in 1950 and was commanded until 1980, represented the names here of fictitious form, by Ruben Castaña, that initially produced manipulation of canned fish and with the residues of the fish did ration for cattle and horses. About the history of the organization, the son of the founder began to carry on the activities in the company in the 80s, in order to develop the technology area focusing on scarce products at the time due to the Second World War. This entrepreneurial vision led the company in 1980 to transform the production of canned fish, cattle rations and equines, taking over the new niche market that is the factory of vessels for the fishing industry. The process of succession and professionalization of the family business demanded a change in its structure of ownership and control, which implies the reconfiguration of power relations - what can be called "corporate governance". In this research, he studied the company through its different stages of development of its history, characterized in terms of property distribution, the type of management and compliance with the provisions of governance practices and the promotion of an appropriate level of professionalism in its management. The present research is exploratory, with a qualitative approach, based on the Case Study method. This type of approach involves interviews and observations, resulting in descriptions of results and impressions of events. In this interview, conducted in March 2018, a script was used, with topics and issues divided into six thematic blocks (ownership, conflicts, family, succession, professionalization, and company), containing a total of ten open questions and eight closed questions. For the selection of respondents, the contact was with family members (partners and heirs) and through external professionals who are directly involved in the management and succession process of the two companies. Bringing the relevance of professionalization and the use of Corporate Governance practices to the succession process of the Company, the challenge lies in establishing adequate communication of the next steps, managing the three generations of the family that work together. A crucial point to be managed is the transfer of ownership of the founder, a member of the first generation, to his successors, be they second or third generation and the fourth generation with the support of another family as a shareholder. The process of professionalization of the company, which in the past presented a small family structure, through the challenges of capital market management and the work done for closing, demonstrates the effectiveness of the use of external actors to control and overcome a crisis, as the case analyzed. As a theoretical contribution, the authors intend to complement the financial and stock market, finance and strategic research using agency theory and measuring market performance and board influence, which is rarely studied in this context family. It was therefore concluded that the pressure exerted by the controlling shareholder and other internal directors would contribute to reducing the positive impact of family performance. As social and empirical contributions, it will bring a better understanding of this issue in the emerging countries, which are the peculiarities in the Brazilian scenario, expanding the discussion when addressing an influential factor in the performance of companies family's (council independence) still little explored in Brazil. The investigation is also related to the importance of the issue in relation to the opportunistic behavior of executives in companies. In most research, the emphasis is on agency problems, caused by the separation of ownership and management into large corporations. The factor of Brazil being an emerging country where lack of a strict legal system and control factors against corruption in these environments and public sectors emphasizes the importance of applying the "Practices of Corporate Governance" in the main developed countries, the which reflects the need for effective supervisory bodies that contribute to a better financial performance of companies family's.

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Citation: Ruan Carlos dos Santos, Lidinei Éder Orso, Mário Nenevê, Gilmar Lorenceti da Silva and Guilherme Paulo Andrade. 2021. "Practices of governance in the policy of business succession: family in control?", *International Journal of Development Research*, 11 (4), 45980-45987.

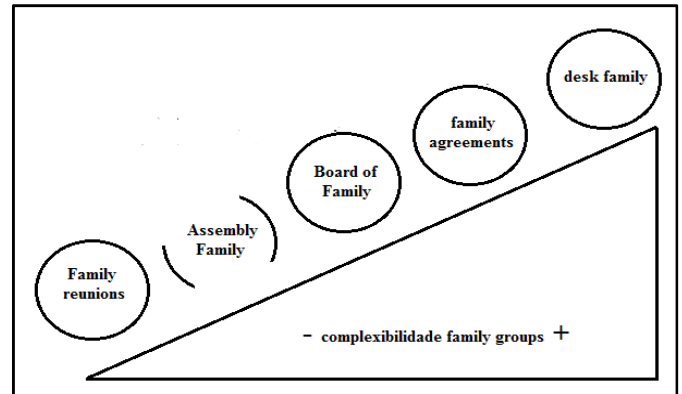
INTRODUCTION

The representativeness of family businesses in the economy of several countries is significant. The International Family Enterprise Research Academy (IFERA, 2016) gave an overview of the relevance of family businesses in several countries, denoting their importance in the world: Brazil: 90%; United States: 96%; Italy: 93%; Cyprus: 80%; Finland: 80%; United Kingdom: 70%; Spain: 75%; Portugal: 70%; Australia: 75%; Germany: 60%. Studies point to the beginning of the twenty-first century, over 80% of the world's companies were controlled by households (Gersick, Hampton, & Lansberg, 2006). Family-owned enterprises represent a large part of the organizations in various sectors of activity, in a way that contributes significantly to the economy. These companies seek in their organizational process, different forms of organization, the expectation of perpetuity happens not only in the business environment, but in the family environment (Flores Jr. & Grisci, 2012). According to Velloso (2012), family microenterprises can use the suggested practices of Corporate Governance as a way of assisting the succession process, seeking organization, professionalization, and transparent actions aimed at perpetuating the organization and reducing conflicts of interest. It is observed that the researches of Madison, et al (2016) dealt with the behavior of a family business in light of the Agency Theory, following a more behavioral line. Therefore, the main vision for the company is to have the highest financial performance possible, and managers who take the primary view increase the reputation of the family and its information asymmetry behavior allows not to align management with increased financial performance. In this research, he also studied the company through its different stages of development. The question of study is: how was the family enterprise considered, at each stage of its history, characterized in terms of the distribution of property, the type of management and compliance with the provisions of the governance practices? Throughout this analysis, it was also tried to highlight how the family company considered, dealt with the three aspects pointed out by Bortoli Neto and Moreira Jr. (2001) as responsible for most of the problems related to this type of organization, namely the succession process, the occurrence of conflicts and the promotion of an adequate level of professionalism in its management. Few studies examined family firms in strategic behavior for compliance with corporate governance. Our central argument is that potentially conflicting key dimensions within the socio-emotional perspective of wealth between corporate control and reputation (Berrone, Cruz & Gómez-Mejía, 2012) influence the family succession on the company's compliance with governance practices.

Theoretical Foundation

Agency Conflicts in Family Businesses: The Agency Theory proposes several factors of good governance, among them the mechanisms of corporate governance, which are instruments capable of reducing informational asymmetry (Paulo & Albuquerque, 2013), to minimize the loss of market value from agency conflicts between decision makers and corporate investors, thus promoting an environment of legal protection for them. Family-owned businesses take care of one-person-only management for years, and they succeed in this way, leading to a reduction in business continuity and development (Ribeiro et al, 2012). Succession must be a smooth process, and may take years to complete. Pre-succession activities are practically a prerequisite for it to become easy and the new manager can take over efficiently (Petry & Nascimento, 2007). Therefore, the survival of the business depends not only on appropriate governance policies but on the renewal of moral values upon which the initial success of the organization relied during the early generations of the family. This complexity, shown in Figure 1, can be illustrated in five levels, and will be the conceptual model to be followed in this work. The factors described suggest that conflict over family control may impose restrictions on access to capital that often inhibit the growth of the organization. Therefore, it is up to the family council to create extraordinary groups and committees if it finds it necessary and its intention is to approach, understand and recommend solutions to

specific problems that meet the interests of the family, minimizing the risks of the family business (Bornholdt, 2005).



Source: Adapted from Rodrigues and Marques (2013).

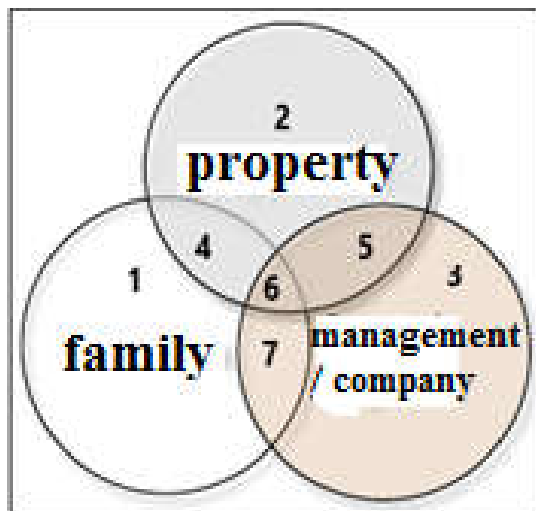
Figure 1. The complexity of managing family interests

Family Business: Family organizations may be superior in some respects as a result of their culture or reputation. Transaction costs in this type of business can be reduced as soon as the family provides a primary goal in its corporate culture (Kreps, 1990). The longevity of family organizations can be highlighted as a point of great relevance for current studies. In particular, Silva et al. (2011) present a concept for family business, which maintains that, in order to be so qualified, the company must simultaneously meet the following characteristics: 1) the family must own ownership over the company, being able to assume total ownership, majority or minority control; 2) the family should influence the strategic management of the company; 3) company values are influenced or identified with the family; and primarily, 4) the family determines the succession process of the company.

The Influence of the Family on the Organization: Family organizations were not the focus of study in the economic and social milieu until the mid-nineteenth century. Studies such as Sharma (2004) indicate that while the relevant influence of family organizations on society is noted, the impact is still somewhat overlooked, setting the precedents for greater attention and incentives from society and governments. Management control is directly related to the controlling shareholder. Gersick et al. (2006) defend the evolution of family business three axes - property, family, management / company. These axes are independent and have their own development dimension. Based on an initial model made by other researchers, in which three circles representing family ownership, management, and involvement in the organization, Sharma (2004) ranked seven distinct categories of stakeholders, described in Table 1, each of which could play a, two or three roles at the same time. Still, it is worth mentioning that each stakeholder can figure in only one of the seven areas of the model, and each area can be occupied by more than one stakeholder.

Model of the three circles: This model allows us to understand how the organizational role is influenced by the positions that the individual occupies in the three dimensions in which he is defined, namely, property, family and management. For Tagiuri and Davis (1996) authors of the three circles model, they point out that the distinction between ownership and management subsystems is essential for all family firms. In this way a new dynamic must be observed where the aspect of property gains space, according to the authors, and the model of three circles:

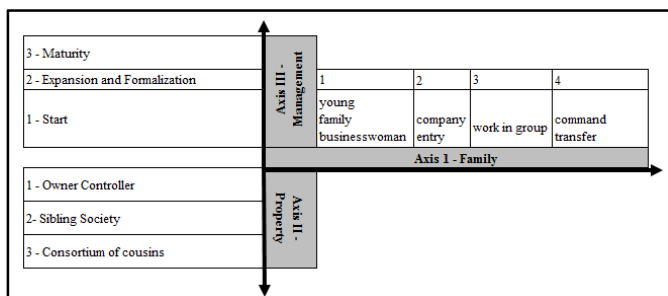
In the three circle model, shown in figure 1, seven quadrants, 1 - family members (not working in the organization or owners), 2 - shareholders (following the same rule of the previous sector), 3 - family member or owner), 4 - owner (does not work in the company, but belongs to the family), 5 - owner (works but not family), 6 - family member property) and finally the 7 - owner sector (both works and owns the same).



Source: Adapted from Tagiuri and Davis (1996) and Gersick, et al, (1997).

Figure 2. Model of three family business circles

Three-dimensional model of development in family enterprises: The three circles model - improgressive - another model of analysis was created with the purpose of considering the variable "time" and how this passage influences development in family control companies. In this new dynamic model, the axes influence each other, but they develop independently (Figure 3).



Source: Adapted by the authors of Gersick et al. (1997)

Figure 3. Three-dimensional model of family business development

In the Family axis it is characterized by the following phases: "Young Family Businesswoman"; "Entry into the Company"; "Working Together" and "Command Transfer" (or "Wandering Walk"). It should be noted that in this dimension it is possible to detect changes in the family structure (Gersick, et al., 1997). In the "Young Family Business" phase the activities in the organization occur in an intense way. In the second phase, the "Entry into the Company" marks the older generation of the first stage, around 10 to 15 years. The next phase corresponds to the "Joint Work", when the first generation can be around 60 years, while the younger generation has around 30 to 45 years. The last stage is the "Passage of the Staff" in which the focus is Succession. It is a difficult and complex stage, and the passage can cause misunderstandings, intrigues and conflicts between family members. You should be very cautious at this stage. The challenge lies in transferring family leadership from one generation to another.

In the Property axis, it is permeated by three questions: "Controlling Owner" (1st generation), "Society of Brothers" (2nd generation) and "Consortium of Cousins" (3rd generation) (Gersick, et al. Most family businesses are founded with a "Controlling Owner," and usually the property is in the hands of a person or a couple. Therefore, the owner - or couple - is responsible for the control of the company. The next step is the "Brotherhood", which is characterized by the shared control of two or more siblings, who may or may not act in the management of the company. In the Management axis, the model identifies three stages called "Start", "Expansion / Formalization" and "Maturity" (Gersick, et al., 1997). The first "Home" stage refers to the genesis and early stages of the organization's development, in which

the managing owner is the driver of the business, which has only one product. The central challenge is focused on the survival of the company. The "Expansion / Formalization" phase represents the scenario in which the company is recognized in the market and its operations stabilize, acquiring an organizational complexity that can even diversify its business. Finally, "Maturity" is the final stage of the axis, in which the evolution of the product is less intense, the dynamics of competition change in the organization, since they are already more consolidated, and the organizational structure is stable. The challenges of this stage lie in the commitment of managers and shareholders, and in reinvestment. Thus, it is possible to keep the company competitive.

Process of Succession and Generations of Family Businesses: The lasting family business, the involvement of the new generations is essential, since it allows the development of tacit knowledge and cultural skills. According to the Family Business Institute (2016), 88% of current family business owners believe that the same family (s) will continue to control their business in five years, but succession statistics contradict this belief. Only about 30% of the family and business survive until the second generation; 12% remain viable through the third generation, and another 3% of all family businesses operate through the fourth generation or later. From these data, it is observed that the statistics reveal a disparity between reality itself and what is thought as a present in family businesses, making them succumb to the market and denoting not the simple misfortune of the business, but the lack to promote in the organization the foundation and relevance of succession planning.

Succession process: The succession process can be characterized by several authors as the moment to optimize the continuity of the family business. Thus, the successor's interest must go beyond his ability to deal with stakeholders, that is, he must be able to keep the company profitable, and thus leverage business (Hume, 1999). Succession suggests leadership without altering the basic form of the company, it involves a restructuring of the organization's fundamental form, not just a guard change (Gersick et al., 1997), involving the different parts that are impacted in some way by succession, it is inferred that the succession should be referred as a process, engaging the various stakeholders according to the order of importance of the interested parties, shown below: 1) Succeeded: founder (s), partner (s); 2) Successor (s): child (ren), son-in-law (s), daughter-in-law, employee (s), spouse; 3) Family: spouse, children, sons-in-law, daughters-in-law; 4) Company: employees; 5) Market: customers, suppliers, competitors, and; and 6) Community: social, political, economic. Succession in family businesses is probably one of the most studied and researched subjects by specialists in this type of enterprise. The growing interest in this issue can be attributed to several factors. Among them, the fact is that the success or failure of this process can make viable or definitively compromise the continuity of the business. According to Oliveira et al. (2012) the succession process in the family business can be conducted through two possibilities: family succession and professional succession.

METHODOLOGICAL PROCEDURES

As identified in the literature, the process of succession involves a series of complex elements. Therefore, it is necessary to study in greater depth and to consider the phenomenon in its totality. The present research is exploratory, with a qualitative approach, based on the Case Study method. According to Black (1999) this type of approach involves interviews and observations, resulting in descriptions of results and impressions of events. In addition, in qualitative research, researchers have the possibility to produce their own patterns, categories and themes, from the bottom up, preparing the data in increasingly abstract units of information, and their analysis consists of "a permanent process that involves continuous reflection on data, formulating analytical questions, and writing notes throughout the study" (Creswell, 2010, p.217). According to Yin (2010) the case study can be characterized as an empirical research, with the function of investigating a contemporary phenomenon within

its real context, in which the boundaries between the phenomenon and the context can not be evident, using, in this way, sources of evidence. Black (1999) corroborates this thought and says that through case studies it is possible to improve the investigation of objects in real situations, promoting depth in the study of chains of events. Regarding technical procedures or research strategies, it is classified as a case study, since it involves the deep study of an object in a way that allows its ample knowledge. Regarding the choice of the case study as a research strategy, Yin (2010) states that the form of the research question or problem provides an important indication for defining the research strategy to be adopted. According to the author, "how" or "why" questions, because they elicit clarification, stimulate the use of case studies when one focuses on contemporary events.

generation of the company, as well as directors who are not part of the family, which provided a holistic view of the company's business and so as not to make hasty but rather based judgments in a democratic vision. The interviewees have the positions as highlighted in Table 2, bringing the main information regarding the roles of the interviewees in the Company. For purposes of life cycle analysis, the company's history (ranging from 1950, the year of its foundation to 2017) was divided as shown in Table 3, below. With respect to the critical events presented in Table 3, it is possible that corporate redistributions correspond to changes in the ownership structure of the company, due to the departure of brother shareholders from the company in force. The event that characterizes the third phase of the organization's history refers to the new change in the ownership structure of the

Table 2. Company interviewees in field research

Respondent	Generation	Office	Period		Time	Time
			Top	Final	Company (years)	Area (years)
Ruben Castaña	1 ^a	President-Founder	1950	1979	44	29
Enzo	2 ^a - 3 ^a	CEO	1980	1994	14	5
Ruben Castaña	1 ^a - 2 ^a	Vice president	1980	1985	-	5
Neto I	3 ^a	Commercialdirector	1986	1994	8	8
Neto II	3 ^a	Fiscal officer	1986	1994	8	8
Neto III	3 ^a	Coord. Family council	1986	1994	8	8
Acionista I	2 ^a - 3 ^a	Shareholders	1995	2002	7	7
Acionista II	2 ^a - 3 ^a	Shareholders	1995	2017	23	23
Familia Castaña	2 ^a - 3 ^a - 4 ^a	Family Group I Founders	1995	2017	67	23
John Heik	4 ^a	Family Group II - Shareholder	2003	2017	14	14
Ruben Castaña	1 ^a - 2 ^a - 3 ^a - 4 ^a	Chairman of the Board of Directors	2009	2017	56	18
Enzo	2 ^a - 3 ^a - 4 ^a	CEO	1995	2017	37	23
Cons.Adm.. I	4 ^a	External Management Advisor	2012	2017	5	5
Cons.Adm.. II	4 ^a	External Management Advisor	2012	2017	5	5

Source: Prepared by the authors (2018).

Table 3. Phases of the history of the organization and its critical critical events

Period	CriticalEvents
1950 – 1979	Foundation to the first corporate redistribution
1980 – 1985	First to the second corporate redistribution
1986 – 1994	From the second to the third corporate redistribution
1995 – 2002	Entry of the second family group
2003 – 2017	Changingstrategicfocus

Source: Research (2017)

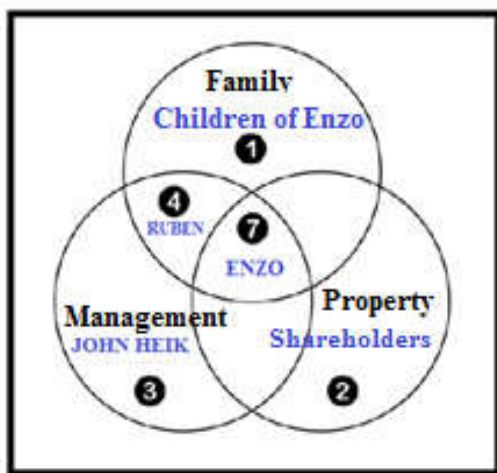
The choice of data to be collected was based on the analysis model considered in the development of this work, since the main objective of this research is the characterization of the organization as a family business, throughout its life cycle, according to the Three-dimensional model, aspects related to property, family and management dimensions were considered in the data collection process. Thus, the following questions are considered in the data collection process: types of ownership distribution, characteristics of the company management, characteristics of the owner family, history of the organization, evolution of the professionalization degree of the firm, succession process and occurrence of conflicts between partners of the company. These data were obtained from documentary research and from interviews with the main leader, belonging to the founding family group. In this interview, conducted in March 2018, a script was used, with topics and issues divided into six thematic blocks (ownership, conflicts, family, succession, professionalization, and company), containing a total of ten (10) open questions and eight closed questions. This questionnaire was adapted from the script proposed by Reis (2000). With the permission of the interviewee, the answers were recorded and later transcribed, in order to be analyzed in relation to their contents. For the selection of respondents, the contact was with family members (partners and heirs) and through external professionals who are directly involved in the management and succession process of the two companies. Individual interviews were conducted with managers and family members of the companies, from March 2018 to August 2018. In the Company, four people were interviewed in person, at the company's office in the State of Santa Catarina and one person via telephone. The interviews were made with members of the first, second, third and fourth

company, from which it ceased to be the sole possession of a single family group and began to have its control shared by two family groups different. The analysis of the collected data takes place from the disposition of the information in chronological order. According to Yin (2010, p. 147), "the analysis of chronological events is a technique frequently used in case studies". Still according to the author, the chronological sequence emphasizes the strength of the case studies, namely the possibility of searching the events over time. The objective of this technique is to compare the chronology with that predicted by some theory, which, in this work, concerns the evolutionary stages proposed by Gersick et al. (2006).

PRESENTATION AND ANALYSIS OF RESEARCH RESULTS

Description Company: The fish distributor located in the states of Santa Catarina had its date of foundation in 1950 and was commanded until 1980, represented the names here of fictitious form, by Ruben Castaña, that initially produced manipulation of canned fish and with the residues of the fish did ration for cattle and horses. In this period, it was directed by three directors, and the organization as a whole, as well as its functions, were less sectorized and all worked in general areas. It then presented the traditional model of family business, where there is a low level of transparency in management and the family holds the reins of management (Lethbridge, 1997). About the history of the organization, the son of the founder, began to carry on the activities in the company in the 80s, in order to develop

the technology area focusing on scarce products at the time due to the Second World War. This entrepreneurial vision led the company in 1980 to transform the production of canned fish, cattle rations and equines, taking over the new niche market that is the factory of vessels for the fishing industry. The process of succession and professionalization of the family business demanded a change in its structure of ownership and control, which implies the reconfiguration of power relations - what can be called "corporate governance". The first phase of the company comes to an end with its first succession process, in which the board is headed by Mr. Enzo's son in 1981. The company begins a process of expansion of the areas of operation to other regions and to other countries, for example on the coast of Argentina. At the time of Mr. Enzo, a single worker mounted, welded, painted and aided in the cutting of shipbuilding and fishing boats. About the history of the organization, Mr. Enzo, son of the founder, began to carry out the activities in the company, in the decade of 80, in order to develop the technological area with focus on scarce products at the time due to the second world war. The company in 1995 then began a process of decline in which the shareholders are not receiving the return on investments, considering that the company has negative results, not distributing dividends. In this period the company sells 37% of its shares to new foreign investors in an attempt to resume growth once. The governance practices of this moment consist of the board of directors, the general meeting and the external audit, thus representing the maximum body of the company listed below and represented by the names already cited as fictitious, previously.



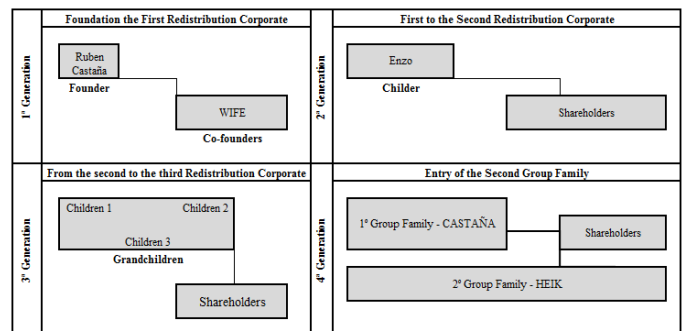
Source: Prepared by the Authors (2017)

Figure 2. Change in Family Business Structure

According to figure 2 is the structure of the company under the management of Mr. Enzo. The presence of the president's children in position 1 can be identified because they do not come to work in the organization or assume some management position. While Mr John Heik in position 3 and investors in position 2 demonstrate the rapprochement of external actors to the family group in management or ownership. In 2002, the second succession process takes place, where Mr. John Heik assumes 51% of the shares, causing the company to cease to be familiar. This transition and the professionalisation of the company take place through the hiring of external employees, who provide for the separation of family and company, and may reduce conflicts or disappear with internal conflicts, since decisions are taken in the company, instead of the family (Gersick et al., 2006). In order to open the capital, he hired a specialized company and indicated by the CVM, without success in the first attempt. Already in the second attempt he was successful in the process, with the support of a lawyer. Mr. John Heik acquires the other parts of the company from investors, amounting to 48% of the capital. Currently, two grandchildren and son work in the company, one of the grandchildren is responsible for marketing. And the other grandson who is fiscal director, took over the legal sector of the company. With this new format, the company begins to present again the basic characteristics of a family enterprise, in which decisions are

taken by a group in a less formal way and monitored so that they do not escape from the strategy developed, not distancing from the control of the family (Melin & Nordqvist, 2000).

Development of Axis I – Family: After the death of his wife of the Company, the co-founder became responsible for the management and also for the property. Today, following the natural involvement of his son "Enzo" in management, in addition to members of the third generation, the inclusion of external "Shareholders" as investors, and the founder became part of the control of the company's property alone. In the same way, the son (2nd generation), began to act only as members of the Board of Directors. This current situation of the family can be seen according to Figure 3.



Source: Prepared by the authors (2018)

Figure 3. Company family

Since Enzo is only a member of the Board of Directors, it is in the third generation that the greater involvement of the family in the management of the organization rests. The children of Enzo (Grandchildren - 1, 2 and 3) work in the management, in their respective positions Commercial Director and Fiscal Director. In principle, they do not have pretensions nor do they undergo succession training to command the next steps of the Company in positions such as CEO. As for the other members of the third generation, it is worth mentioning that Son 3 is the Coordinator of the Family Council, and Son 1 and Son 2 do not work in the company. As far as the succession process is concerned, it is understood by the interviews that there is still no planned succession planning. This topic permeates the Family Council and, according to the interviewees, if there is in the future, will be conducted by a trusted family professional. However, "Enzo" reports that the development of the heirs is being held, preparing them to exercise the roles of directors and future shareholders. In addition, all interviewees agree that the Company will become more and more professional and that the measures are being taken. According to one of the "Shareholders" "as soon as the board becomes professionalized, there is no room for the owner's son". Regarding the third generation of the Company, it was understood that the heirs who act in the management have the interest in the perpetuity of the company and that possibly will continue acting in the management, but without the pretension of acting in superior positions. Both "Son 1" and "Son 2", members of the third generation, believe that there is no better person for the position of CEO than "Enzo", who is an internal member and has worked for the Company for fifteen years. When asked about possible family pressure in the succession process, all interviewees say that there is only one "desire" of the founder for the family to keep control of the company, but not a family pressure. The third generation confirms that there was once, but today there is freedom for those who want to be in the company, so much so that only two heirs are in management and another in the coordination of the Family Council. Therefore, there is no criterion in choosing successors.

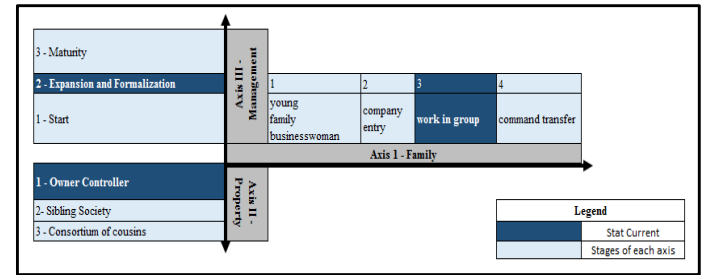
Development of Axis II – Ownership: When the Company was created, the founder worked with his wife and was always the Company's largest shareholding. In 2009, a holding company was formed and the founder now owns 44% of the company's quotas, keeping 10% of the company's children and the grandchildren accounting for 6% of the total, and the others divided to the

shareholder and "Heik" member external. With regard to a possible shareholder transition, since the founder is eighty both the second and third generation understand the necessity of this transition and consider it as a point of attention. However, according to the interviewees, this important step should happen, but not in the short term - but possibly in a horizon of up to two years. More fiercely, "Heik" says that the question of power still permeates the generations. However, "Enzo" points out that "the founder has not yet had the will to pass ownership to the second generation, since many things are still concentrated in him." According to the founder's understanding - through interviews and reports of the interviews - the quotas that were in the possession of the grandchildren will be added to the son of the founder because he wants to follow the natural order of succession. The "Shareholders" and "Heik", some points must be dealt with before the Company is able to do this, with the existence of two biases: (i) the sale of the company - partial or total - since management is training the company to be a good asset in market management, or (ii) carry out the IPO for the entry of investors and the consequent capitalization of the company. When asked about this change, the interviewees show different points of view: "Heik" explains that the founder would not want such a transformation and believes that the company should remain with 60% of capital; "Enzo", in turn, states that, in its view, the biggest interest in the IPO is the third generation. One of the grandchildren, a member of the third generation explains: "I agree with the IPO, so as to be able to leverage resources, giving a different speed to the company; but if this really happens, I'd prefer the partial sale of the company." The other two grandchildren and the shareholders end by saying that the greatest desire is for the company to survive for several years, and that it is open to any kind of negotiation that will allow it to continue. To that end, it reinforces the idea that partial sale would be the best option at the moment. This point is corroborated by Heik, who emphasizes that the company is currently in a situation where it is no longer possible to develop and grow only organically, and what worries him most is to leave the company stagnant.

Development of Axis III – Management: Due to the rapid growth over the years 2003 to 2007, Enzo reports that the need for a clear and long-term strategy has been realized, as well as people prepared to support such growth and ensure it. It is in this scenario that a process of leveling of knowledge begins, in which the tripod forms the basis for the continuity of the company: Management, Strategy and Corporate Governance. Therefore, these three axes would provide the necessary support to keep the company healthy. When asked how they perceive the impacts of Corporate Governance for the success of the company, all respondents say that what has been done is of extreme value to the company and that the current scenario is much better than before. Still, the son 3 Family Council Member highlights the positive side of the new processes, even if they make the formation of ideas or projects and their acceptance within the Company more restrictive and formal. This new situation comes up against the growth of the organization and the necessary changes to meet the ever more demanding consumer market. Until 2010, there were no formal company positions and the positions of the main managers were composed of members of the first and second generation of the family, and, from the moment the company became aware of Corporate Governance practices, two councils in the company (ie Family Council and Board of Directors) in order to align ideas and strategies.

Corporate Governance Structure and Mechanisms: With the basis of the data collected in the interviews with family members - members of different generations - and contracted executives of the Company, it is understood that this is, according to Figure 4 of the Three-Dimensional Model of Family Business Development, in the phases of: in Axis I (Family), is in the Working Together phase, contextualized by the joint work of the three generations in different spheres, be it in the management and ownership as well as family decisions; in Axis II (Property), is in the Controlling Owner phase, with the Company's founder owning the property, even if it is away from management; and, finally, in Axis III (Management), is in the Expansion and Formalization phase, in which the strategies and

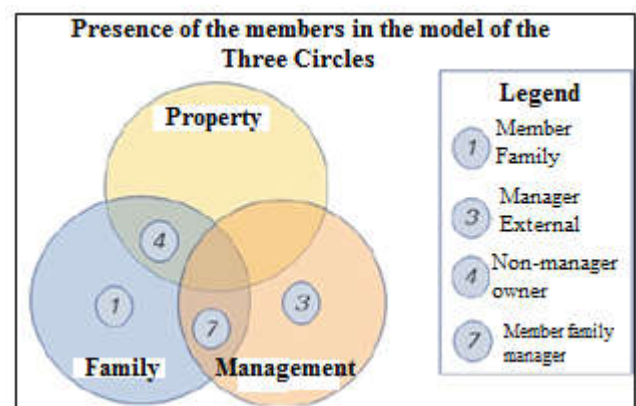
operations are in search of the appropriate practices for the best governance structure on the management and family relations.



Source: Prepared by the authors (2018)

Figure 4. Adaptation of the three-dimensional model in the Company

Regarding the main governance practices, the Board of Directors and the Family Council were created in 2009, made up of different members. There are two owners, the first and second generation - founder, who is the president of the Board and his son who is CEO - and two external members, one of them responsible for the evolution of Corporate Governance in the organization and a lawyer, who assists in the corporate part, among other requirements. With the establishment of these Councils as a first step towards professionalization and already showing the Company's intentions in this area, which is consistent with Lansberg's (1999) statements, indicating that this type of practice strengthens family ties, aligns expectations and reduces risk of conflicts of interest, in addition to promoting a wider dissemination of the ideas that permeate and serve as a basis for the Company. These meetings happen every two months and last for a day, considered a significant space for the company to discuss their guidelines. However, it should be noted that there is a meeting every fortnight per month, in which executives and partners discuss demands and which, according to Enzo and Heik, "are natural to the company" and that there is no space on the Board of Directors once that can be considered as "operational", but that make a difference for the founder. In addition, for the founder and CEO "in a family business, it was important to bring these two outsiders as board members." Through the discussions in 2012, it would establish the presence of external members in the Board and in the organization - in the figure of the CEO, it is important to demonstrate the presence of the main members' roles according to the Three Circles Model, and to adapt them in relation to the axes Property and Management, according to Figure 5.



Source: Prepared by the authors (2018)

Figure 5. Adaptation of stakeholder roles in the three circles model in the Company

In order to better understand the possible conflicts of interest in the succession process and future transfer of command and ownership among the three generations, it is emphasized that family members are present in all axes, noting that the Company has three generations working together ,ie, family members (5) who are owners and not active in management, and (7) non-owners acting in management.

Thus, it is understood that there is still family influence in the Company in order to maintain the power of management, even with the presence of an external member as CEO. This point, therefore, should be carefully conducted by the Family and Administration Council through efficient communication among internal and external members, property owners or managers, in order to avoid misalignment in the decision-making process in the Company. When asked about some possible problem between management and Board of Directors, Ruben pointed out that there has been no misalignment so far, since both act with total transparency. Therefore, it should be noted that the Board of Directors and the members of the Family Council only added to the management of the Company, especially in the management of the expectations of members of different generations, a point corroborated by McConaughy, Matthews and Fialko (2001). explain the strategic role of councils in family organizations in promoting transparency in decision making and therefore in completeness of company objectives. With regard to the Family Council, it was understood that this arose from the need of the family at the time of professionalization of the company, as can be explained in the literature by the concepts and Garcia (2001) that describes the moment of creation of the council as being when the company opted for professionalization. Currently, some attitudes are being taken within the family, such as: communication channels between the family and the management, service of concern for the Castaña family and benchmarking with the other stock family - Heik, as well as the creation of a video, the order to rescue the history of the company. One point highlighted by all the interviewees, including the Family Council Coordinator, is about his progress. All respondents report that this board is moving at a slower pace than the Board of Directors, and that if it were a step ahead it would help in running the company, as there is room for further development. However, some respondents, such as Cons. Exter. I, Cons. Exter. II and Shareholder II, say they feel a lack of awareness of the second generation in some issues, such as the possible shareholder transition, as well as the possible second-generation capital increase. As John tells Enzo that the combination of the Castaña and Heik families shows that "family governance is important mainly for the third and fourth generation transition, because ours the integrative idea is the opening of the IPO with the addition of capturing third-party investments." Bringing the relevance of professionalization and the use of Corporate Governance practices to the succession process of the Company, the challenge lies in establishing adequate communication of the next steps, managing the three generations of the family that work together. A crucial point to be managed is the transfer of ownership of the founder, a member of the first generation, to his successors, be they second or third generation and the fourth generation with the support of another family as a shareholder. The risk of mismanagement of this point is directly linked to the Company's control and, as Van Den Bergue and Carhon (2003) point out, can lead to the elimination of altruism in the family, as well as the allocation of both internal and external members unsuitable for the positions and increased costs of monitoring the organization's activities. In this scenario of succession in the Company - whether for the next or the next, it can be hypothesized that the determination of clear policies for the definition of leaders and successors would be positive. Corporate Governance practices will be even more widespread and perpetuated in the Company, aligning with the positions of Gersick, Hampton and Lansberg (1997), who believe that the family will better understand its role in the business in a professionalized organization in terms of Governance. Hence, it is understood that the relation of the generations present in the Company to the management and its policies will be more clearly and gradually more harmonized and prepared for future successions.

Final Considerations

Numerous changes have been taking place in the last decade in Brazilian organizations, being led to a new format, marked by the participation of associates, division of shareholder management, strategic vision for economic efficiency and transparency. Analyzing the results of the researches in the present study, it is suggested that the institution of the Board of Directors, in family companies, object

of this study, although it can present a wide range of approaches regarding its analysis, can be understood as an instrument of minimization of agency conflicts. The establishment of a Board of Directors that, in an initial stage, houses the family owners, coming from the executive management of the company, facilitates their professionalization and can free of agency conflicts, since the agents (executives) will be professionals hired without family ties. This formatting can be sheltered in the conflicts of agency and Corporate Governance, that in an empirical investigation can contribute to the studies of the Agency Theory. According to Castro, Aguilera and Crespi-Cladera (2017) details that the formulation of policies, contributes to understand how companies under different agency constraints and institutional contexts adopt a mechanism to regulate legal aspects such as codes of governance. The process of professionalization of the company, which in the past presented a small family structure, through the challenges of capital market management and the work done for closing, demonstrates the effectiveness of the use of external actors to control and overcome a crisis, as the case analyzed. On the one hand, in the spirit of the "comply or explain" principle, companies influenced by households adjust their governance choices to their constraints, which is not only desirable but also in the spirit of regulatory principles where actors self-regulate without having full legislative authority (Hopt, 2011). In the last stage described, governance practices are still present after the closing of the capital demonstrating that the company came to incorporate such practices in order to ensure transparency and better management. Finally, the perspective of family owners is averse to losses, so they reflect the strategic choices that make (Gómez Mejía et al., 2011) the control and influence of reducing family conflicts, through governance mechanisms that promote family control. This leads to a positive relationship between family ownership and code compliance. This result is based on the identification of the family with company as well as their concerns with reputation, which bring greater pressures to adhere to the rules of society and standards (Berrone et al., 2012).

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