

FAMILY BUSINESS SUCCESSION PROCESS: A CASE STUDY OF FRAVIZEL S.A

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Resumo

O presente estudo tem como objectivo principal compreender o processo de sucessão, e perceber qual poderá ser o futuro da organização, quando os possíveis sucessores iniciarem o seu papel na liderança da mesma. Para tal, foi realizado um estudo em torno do Processo de Sucessão e da sua ligação com as Empresas Familiares. Recorreu-se ao método do estudo de caso, tendo sido realizada uma entrevista ao fundador e ao possível sucessor. Após a análise das mesmas, foi traçado o processo de planeamento e sucessão. De acordo com esta análise foi possível constatar alguns aspectos referentes ao futuro da liderança da empresa. O valor desta investigação reside na tentativa de analisar o processo de sucessão como um momento crucial da Empresa Familiar, através do qual uma pessoa diferente do fundador assegura a continuidade do negócio, sem comprometer o seu sucesso e assegurando a prosperidade das gerações futuras e a harmonia familiar.

Palavras-chave: Cultura Organizacional, Sucessão, Empresas Familiares.

Classificação JEL: M10, M12, M14

Abstract

This study aims to understand the Succession Process and comprehend what could be the future of the organization, when the potential successors starts their role in the leadership of the Family Business. To do so, it was conducted a research on Family Businesses and the relation with the Succession Process, as a crucial moment for the business future. The research method is the case study, having been conducted an interview with the founder and the possible successor. After the analysis, the succession process of Fravizel S.A was draw. Through this analysis it was possible to observe some aspects of the company's future. The value of this research lies in analyzing the Succession process as a crucial moment in a Family Business life which a different person from the founder will act in order for the business to continue with success, without compromising the future generations and the family harmony.

Key-words: Organizational Culture, Succession, Family Businesses.

JEL Classification: M10, M12, M14

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Abbreviations List

FB – Family Business

NFB – Non-Family Business

Introduction

I started this dissertation in the year of 2018, in which Portugal lost three of its more prominent entrepreneurs, Américo Amorim, Belmiro de Azevedo e Pedro Queiroz Pereira, that were among the richest men in the world and owned the three largest industrial groups in the country, Sonae, Grupo Amorim e Semapa, respectively. Thus, the succession issue could not be more current.

As a former student of a Business Administration Master, I was able to develop my knowledge about Family Firms, namely in respect to the succession matters. The main idea for this dissertation emerged after the first year of studies: find out more about the Portuguese Family Businesses, not only in academic terms but also in their day-to-day activities, having the goal of understanding how these businesses pass through generations and what are the consequences of this change process.

In fact, according to Peter Villax, president of Associação Portuguesa das Empresas Familiares¹, while reliable statistics are not available, it is estimated that more than 70% of Portuguese firms have a structure and a family property, and their contribution to the Portuguese GDP is about fifty per cent (50%).

Therefore, since the presence of the Family Businesses is significant, both nationally and internationally, the need to address the issue of succession and its surrounding process is identified herein, as it assumes a major role in the continuity of the businesses.

Before introducing the main theme of this dissertation, the succession, I may bring forward that the first part provides a framework of what is understood by Family Business, as well as the features that distinguish them from Non-Family Businesses. Moreover, it is explained its importance in the Portuguese financial situation, the history of Family Businesses as an academic discipline is contextualized, the main features of these firms and the different typologies they can assume are also described.

In the second part of this work, the succession process in these companies will be further assessed, because, as I said above, the succession process is one of the most relevant factors for

¹ Consulted on: <http://www.empresasfamiliares.pt/> Accessed on: 30 September 2018

this type of organizations success and continuity, since it is fundamental to outline the terms and every step of the succession process and clarify who are the parties involved therein.

In this regard, this dissertation is divided in four main parts. The first includes the literature review; the second consists in research strategy, where the research method is explained, as well as the steps I have taken throughout our study; in the third part, I will introduce a Portuguese Family Business and its succession process will be addressed.

Fundamental analysis through the interviews and by specific interpretation and observation of data elements will highlight the possible implications or successful aspects of the succession process in this type of businesses.

Finally, I will submit my conclusions and final considerations.

Chapter I – Literature Review

The succession process has been approached and observed from numerous perspectives. However, many of them do not fully explain the current complexities and implications of the process in family businesses.

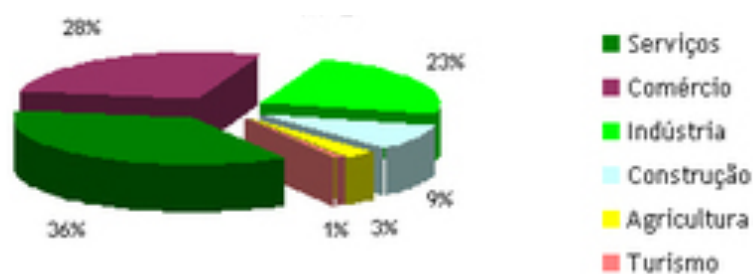
At this stage, a theoretical overview of family businesses definitions and singularities will be reviewed, and then the succession process will be presented.

The theoretical background of the succession process in family businesses will be explained in detail in terms of their special characteristics, the reasons, the parties, and the process itself.

Finally, the theoretical background of the succession process will be discovered focusing on the different types of processes and key decisions that the firms must take while the succession process is ongoing.

1. Family Business

When we refer to family businesses, it is common to people think on small businesses. Notwithstanding, in many cases, this might be an inappropriate thought considering that family businesses are not limited to small and medium companies, being otherwise cross-cutting to all areas of business, as per Graph 1 below of Associação Portuguesa de Empresas Familiares (APEF), which are actually the prevailing forms of business, whether on national and international market, being considered essential pillars for business structure stability.



Graph 1: APEF Associates Activity Sector

Source: Associação Portuguesa de Empresas Familiares²

APEF is a national non-profit association, cross-cutting to every fields of activity, whose members are Presidents, Directors and Board of Directors members of Family-Owned Businesses, which they are also part of.

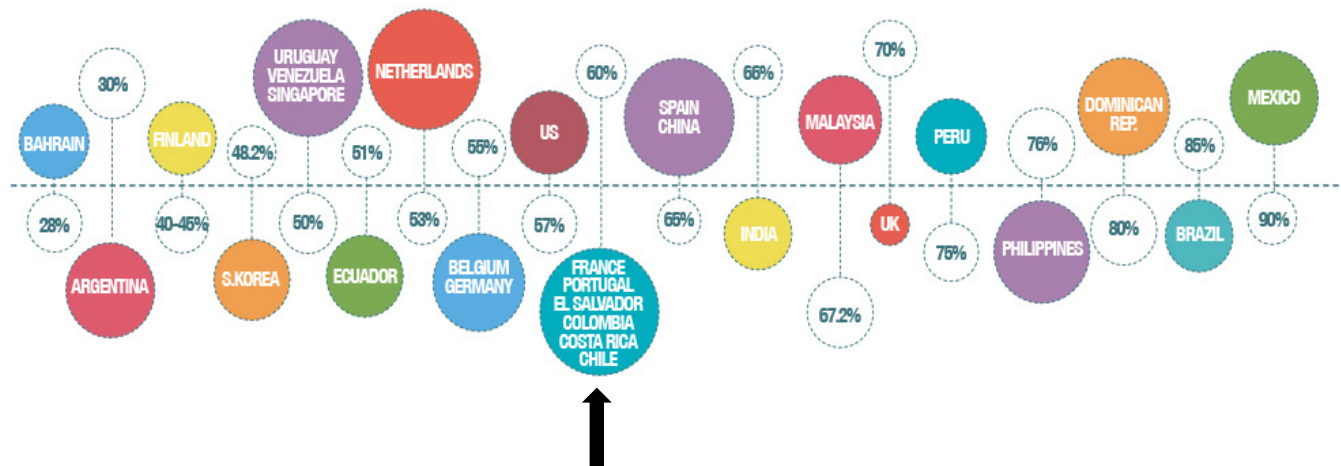
Thus, and according to the information provided thereby, the associates play a fundamental role on the country's economic life, being its overall turnover of 11.9 million euros (APEF, 2007), being projected that in Portugal, between 70% and 80% of the companies are of a family nature and that they contribute for 50% of employment and 60% for Gross Domestic Product.

As referenced on APEF website³, according to a study carried out in 2011 by Exame Magazine, the 1st place of the top employers ranking of the same year belonged to Pingo Doce (Jerónimo Martins), the 17th place to Grupo Mota Engil and the 23th place to Gertal (Grupo Trivalor) belonged to the group of associates.

Furthermore, according to the Livro Branco da Sucessão (LBSE, 2011), realized by the Portuguese Business Association, the data available data show that 80% of portuguese businesses are family businesses and 60% of the European businesses are family businesses.

² Consulted on: <http://www.empresasfamiliares.pt/> Accessed on: 30 September 2018

³ Consulted on: <http://www.empresasfamiliares.pt/> Accessed on: 30 September 2018



Graph 2: Percentage of Workforce Employed by Family Firms

Source: Family Firm Institute (2017)⁴

1.1. History

The family businesses worked for too long as the base of the economies and the ancient civilizations, undertaking an important role in the development of the Western civilization. In the Greek civilization, for example, the economic activities were widely controlled by family groups and this situation have not changed throughout the Roman Empire and Medium Age periods.

According to Bird et. al (2002), the FB conducted the development process of the first stages of industrialization. As it still happens in big companies nowadays, such as Ford, Hewlett-Packard or Wall-Mart, the owner families always have exercised great influence in the companies' direction.

Albeit the FB always have existed, as referred above, they only started to raise the interest of researchers and academic writers as a research topic in the 80's and only in the 90 decade this field was recognized as a distinctive academic discipline.

Nevertheless, as referred by Bird et. al. (2002), to be treated as an academic discipline the FB was confronted with three main adversities. The first one was the negative connotation frequently assigned to it, related to the lack of improvement and innovation. The second one related to the fact that it had to be accurate in its practical action, as in acts of goods transfer

⁴ Consulted on: <https://www.ffi.org/> Accessed on: 30 September 2018

between generations, for example. And the third one, to be recognized as an independent discipline, it was required the setting up of standards that made it unique.

The growth as an academic discipline fostered a professional culture among the professionals that studied the FB as it raised new methods of investigation and new publications, the *Family Firm Institute*, founded in 1986 and the *Family Business Review* (FBR), founded in 1988, the older publication and the most recognized in this field, considered since then as the main source to analyze the theoretical and practical evolution of this academic discipline (Bird et. al., 2002).

1.2. Definition

There are many definitions for Family Business, as many as the written texts on this subject, as it is common for each author to adjust its definition to the object of study. However, everyone agrees that the property and the power or control that results from this property are central elements in the definition of FB.

This way, authors as Jess H. Chua, James J. Chrisman and Pramodita Sharma (1999) in the article “*Defining the Family Business by Behavior*”, after reviewing the numerous existing definitions, and, despite accepting the idea that the FB are companies owned and managed by members of the same family, they believe that this does not make them special, but rather its behavior, in other words, the way the goals, the strategies and the structure can be influenced by it.

Chua et. al. (1999) have been confronted with the need to develop a theoretical definition more focused on the substance of family influence, that could be used as the starting point for the distinction between Family Businesses and Non-Family Businesses.

In this regard, the theoretical distinction shall set a paradigm, this is, to examine an entity, an object or a phenomenon of another nature in what concerns to its conceptual grounds and to its difference, as well as to clarify the reason why this difference is relevant. According to Chua et. al. (1999) the FB is a company managed on the grounds of a certain business vision which is shared by the same family members or by a small number of families pursuing to maximize its sustainability throughout several generations.

Trying to rectify the disagreement between the existing definitions, Astrachan, Klein & Smyrios (2002) developed the *Family Power Experience Culture Scale* (F-PEC) to measure the

involvement of the family in the company and to remove the problem of the differentiation between family businesses and non-family businesses. Astrachan et. al (2002) include three elements on F-PEX scale: the power, including the family ownership and the management; the experience, including the generational component and the number of family members involved in the business and the culture, including the analysis of the family commitment, as well as the relation between the family values and the business values (see Figure 1).

Through this tool Astrachan et. al (2002), introduce the existence of different levels of involvement and family influence, allowing the inclusion of the different theoretical positions that explain the family influence in the behaviour and in business performance.

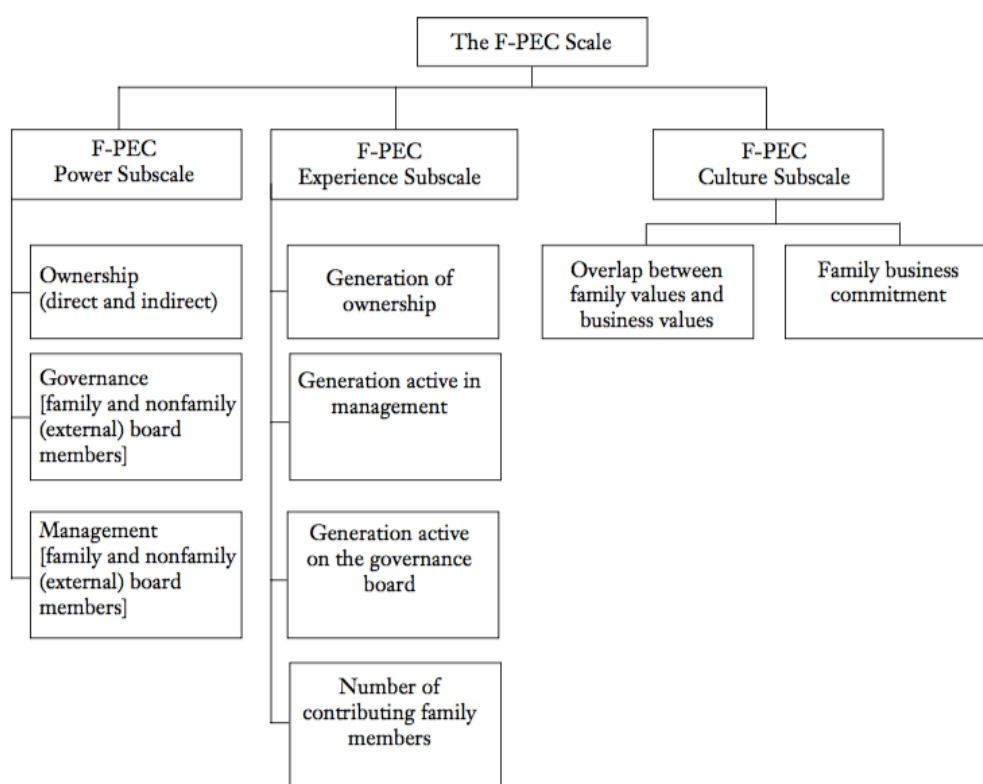


Figure 1: F-PEC SCALE

Source: Astrachan et. al (2002, p.52)

From another perspective, an FB, such as an NFB, is a structure oriented towards business goals such as profit, obtaining a certain market share or reputation, though, it has specific characteristics that distinguishes between NFB. According to Handler (1989), an FB distinguishes itself from an NFB because it is a company in which ownership (although partial) and control are in the hands of a group linked by kinship relations, in which the owners of the

company have the possibility to determine their direction, and there is a strong propensity to impress family values on the company.

Also, according to Lansberg (1999), a FB is the result of the interconnection of two distinct systems, family and company, each with its own objectives and rules, which can lead to conflicts, complexity and disorder.

1.3. Characteristics

The relationship between the family and the company grants special characteristics to FBs, considering that each one of them have its own advantages and disadvantages, that is, they can operate as business developers or, moreover, cause some problems and barriers to success. It all depends on how the owners face the business.

The three circles model, created by Davis & Tagiuri (1987), and further developed by Lansberg & Ayres (1989), seeks to explain how FBs are organized, on the grounds of the already introduced systems theory, which explains the FBs particularity, clarifying that those are the result of two distinct but interconnected systems, the family and the business.

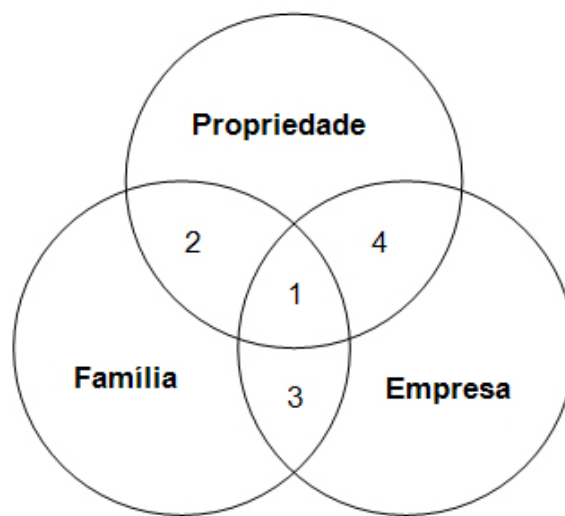


Figure 2: Three Circles Model

Source: (Adapted from Lansberg & Ayres, 1989) Lansberg (1999 p.284)

In this regard, this model represents, as we can see on Figure 2, the three coexisting subsystems inside a FB: the family, the owners and the direction, each one of them having their own understanding and vision of the company.

As Lansberg (1999) explains, the origin of complexity is the divergences of views, as the family members look at the company as a part of family identity, a legacy and a financial support; the direction members look at it, in contrast, as booster for profit and their own professional careers; finally, for the owners the company represents an investment.

Further to the above referred positions, the intersections between the circles add more complexity to the model, suggesting new roles. The intersection 1 represents the persons that are part of the family, work in the company in top-up seats and have money. The intersection 2 schematizes the family members holding equity stake, but do not work in the company. The intersection 3 represents those family members who work in top positions, but do not have an equity participation. Finally, in the intersection 4, is represented the company direction members who are not part of the family, but hold some company's capital (Ussman, 2004).

Thus, the FB challenge is, according Lansberg (1999) to balance the relationships that arise between the subsystems, trying to avoid the overlap between these three elements, which would lead to conflict situations between all of those who are part of them and which are also part of the company activity.

In accordance with Ussman (2004), besides this complex identity where these two systems interact, there are other elements that distinguish a FB, as referred above.

One of those elements, appointed by Lansberg (1999) is the existence of a straight connection between the company founder and the company. The company founder, by creating and developing his own business, considers it as an extension of himself, centralizing the power on him in such a way that it often leads to serious barriers to the transmission to the upcoming generations, even when it would be recommended.

As a consequence of this strong link between the company founder and the company, he passes on its values and believes, striving for them to be perpetuated through several family generations. This is the reason why the values and customs last long in a FB, notwithstanding the family members become part of the company and involve their own values, as those values are just an extension of the lessons they acquired in the family.

Due to a strong identification of the family with the company in a FB, whereby the family name is often the same as the company name, Vries (1993) explains that there may exist a paradox,

which can be a strong point and a weak point at the same time, as in many situations the family fortune supports the company's debt in order to protect the family name from criticisms.

This way, even if in many situations the business growth is reliant of money to progress, these companies tend to block third-party capital contribution as it could enable the admission of new investors from outside of the family. One can see that the company owner and the family fear to lose their assets and, consequently, the control over it due to capital dispersion related to new entries.

On the other hand, these businesses are managed from a long-term approach, existing a feeling of investment in the upcoming generations by giving priority to shares that ensure profit in the future (Ussman, 2004).

Whereas Vries (1993) argues that there are no advantages nor disadvantages in FB, but, otherwise, characteristics that can enhance the business on one hand, and can undermine it on the other hand. Conversely, Carney (2005), believes that the FB governance structure can leverage a competitive advantage.

Carney (2005) identifies three distinguishing features in a family governance structure: savings, as the family make decisions concerning their own assets; personality, which relates to the fact that the same decisions follow the control and unification of the ownership; and individualism, which is evident on the idiosyncratic character that follows the decision-making process.

From the point of view of Carney (2005), these three characteristics contribute for the value creation in FB, enabling them to compete in shortage environments, promoting the creation and the application of share capital and generating new business opportunities. In this regard, the family cohesion can lead to distinctive advantages when the business environment is full of uncertainty, given that the tendency will be the FB to keep their advantages in more developed economies and supported by a stronger and conservative legal environment.

1.4. Typology

In this regard, based on the above three circles model, Neves (2001) sets forth several existing forms of management and control of a FB through a three stages model (see Figure 3): a control by a businessman, a partnership between brothers and a cousin's joint venture. This model,

although it allows for a clear analysis of the FB evolution, does not ensure that they will have to pass the three stages of development.

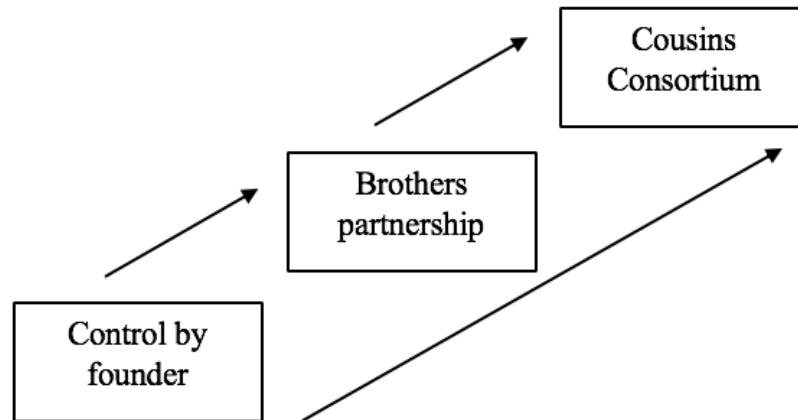


Figure 3: Forms of Control and Management in Family Business

Source: Neves (2001, p. 6)

According to Neves (2001), the government structure of a FB shall promote the harmony and the wellness of all its members, as well as it shall look upon the partners interests in the medium and long terms, through the company continuation and growth.

Even though the company is controlled by its founder in the first stage, and even being the founder who takes most decisions, the company growth entails the move to the next stages, along with the entrance of new family members in the company. Thus, the existence of a family governance structure is fundamental to keep the organization between all its members and to deter potential conflicts in the future.

Therefore, in the second stage, the company control is entrusted to a generation of brothers, which face some challenges, such as the progress of a seamless process of control sharing, the formalization of businesses processes and proceedings and the establishment of an efficient communication channel between all the family members (Neves, 2001).

In the third stage, the cousin's joint venture, the company governance process becomes more complex as new family members grow up, and which are directly or indirectly engaged in the business. In this stage, according to Neves (2001), it is common that the gap between generations lead to conflicting ideas and that many of the previous stages conflicts thus become

harder, prompting issues such as the family rights as shareholders, the employment of the family members or their roles in the company management. Hence, the creation of a capital market becomes compulsory, as well as the control of the family complexity and the shareholders group.

As we can see, in these companies the families play a main role not only in the management, but in the business development as well. Thus, according to Lansberg (1999) the FB's businessmen have a main purpose of ensuring the family control over the company, rather than the company growth. Sometimes, it may lower the company evolution chances, making it less profitable companies due to its smaller size and thus precluding it to maximize its earnings.

Therefore, when we talk about Family Businesses, it is common to associate these companies to small companies. However, being an FB has nothing to do with its dimension (Ussman, 2004).

In fact, as reinforced by Caspar et al. (2010), some families choose to shield the business to external investors, opting to reduce the dividends and reinforcing the growth through the reinvestment of most of the profit gained.

According to a McKinsey research, referred by Caspar et al. (2010), less than 30% family businesses last until the third generation as part of the family ownerships, and those who resist usually share a meritocratic philosophy. Although, there is not a single rule for all the FBs, the principles depend on the family size, on its values, on the education of its members and on the activity sectors in which the company operates.

As we will address in the next point, for a FB to survive across several generations, it is necessary that succession processes be planned and conducted correctly with the cooperation of the entire family.

2. Succession

The succession is a subject under analysis since 1960, playing a fundamental role in the existence of Family Businesses, being the process that ensures the company survival and continuity. However, even though it is possible to consider the succession concerning different hierarchy levels, we will only look up at the succession of the highest position of the company by a person of the upcoming generation.

According to Sharma et al. (2003), the succession consists in a model of knowledge transfer between generations that bestow FB with the characteristics that distinguishes them from NFB.

Therefore, as we can see in Figure 4, the succession is described by Ussman (2004) as a dynamic and complex replacement procedure, which begins as soon as the new generation members have their first contact with the company and which is extended until they reach the majority age, when they become part of the company. This procedure is only finished once the new generation member assumes the company direction, while the replaced family member no longer plays its main role in the company direction. We can assume that this procedure comprises a socialization process to the successor and a process of adaptation to the company founder.

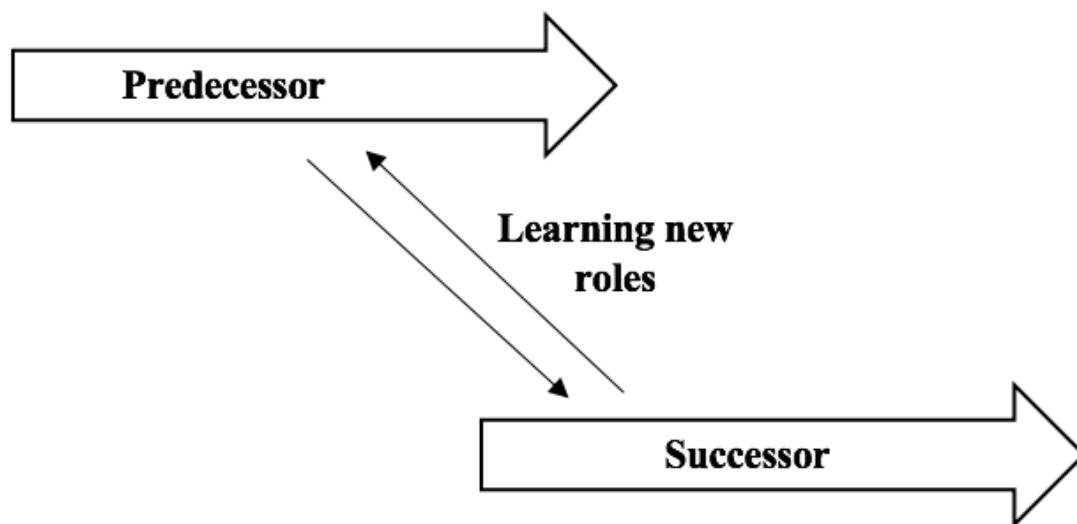


Figure 4: Succession as Dynamic Process

Source: Ussman (2004, p. 127)

From another point of view, according to Bennedsen et al. (2007) family successions are significantly negatively correlated with firm performance, the relationship between family successions and firm performance is really strong because, frequently, successions cause an average decline in firm profitability.

Likewise, Mehrotra et al. (2011) refers to succession as one of the most critical questions of the existence of a FB, claiming that the succession process often gives rise to problems that jeopardize not only the companies but also the wealth of the owner families.

2.1. Family Dynamics

As previously mentioned, the family business is an overlap of two distinct subsystems (the family and the company), which often leads to difficulties in the transfer of power process due to the family intervention therein.

As Vries (1993) explains, it may occur that the older son is neither the most talented nor the most interested person in the business, or, there being a daughter, she can already be married and have changed its surname, thus breaking the emotional and symbolic bond with the company.

Vries (1993) indicates several solutions for this kind of issues: shared management, even though it requires a high confidence level of both sides, what can result, on the other hand, in a competitive advantage for the company; the appointment of an interim management commission during a specific period of time; hiring of an management expert in order to govern all the interests at stake in a neutral way; and finally, divide the business or even sell it.

This way Denison, Lief & Ward (2004) introduces time variable, which brings new challenges to the family (births, studies, deaths) and to the company (sector recessions, investments) and supports that the deferment of the succession aiming to keep the family harmony and avoid the above problems, is a normal situation in FB landscape, what can lead to the company setback.

In the case of succession to the 2nd generation, the mother role and the intervention of sisters/brothers-in-law are highlighted, as they are the main responsible for that deferment. On the other hand, if the company is moving to the 3rd or 4th generation, the range of problems extends, as well as the range of candidates to the office.

However, the authors, Vries (1993) and Denison, Lief & Ward (2004), agree that the Family Council is the body that shall govern the family action in the business, which shall be responsible for the conflicts prevention and management, shall plan the successor selection process, and shall also be the place where some other relevant questions and decisions shall be taken.

These authors also warn to the fact that there is not a single solution for all FB in what concerns the succession process, stating that an efficient solution depend on the company's features and on the families owning them. Moreover, according to Bennedsen et al. (2007) succession

transitions are influenced by the preferences of the families, which play a key role in determining a firm's prospects.

2.2. The Founder / Predecessor

During the study of the succession process, the role of the founder is often highlighted as the main responsible for the difficulties associated with the succession process of the 1st generation.

As Vries (1993) explains, this is due to the difficulty for the founders to accept their own mortality. Besides this, the appointment of the successor also involves several difficulties because the company holds a symbolic value for the founders, who consider it as part of their personal identity, and, at the same time, they sense a strenuous feeling when they have to leave their power position along with the inherent tangible and intangible benefits thereof, which also contribute to the worsening of the succession problem.

Vries (1993) goes further in his approach and also refers to the existence of generational envy, which is the envy that parents feel about their children's emerging abilities. This can lead to humiliating behaviour's concerning the abilities of the potential successors.

Ussman (2004) refers the existence of a first stage in which the company can be considered a pre-family business, that is, a company that does not have the characteristics of a FB yet because the relationship established between the founder and the company is an individual relationship. At this stage, the founder presents a centralized position, both in the family system and in the business system, being the main responsible for the business and the only member of the family involved in it.

According the author, albeit this is a phase in which the only link between the family and the company is the entrepreneur, this is also a moment in which the company and the entrepreneur depend on each other in the sense that the future of the business is completely reliant on his skills, abilities and dedication.

In this regard, considering the short durability of this phase and the strong emotional bond that the predecessor has with the business, it demands for a good relationship between the predecessor and the successor, since the person to be succeeded is the main responsible for the whole succession process and its accomplishment also depends of his willingness.

According to Gilding et al. (2015), the continuity of family businesses and family harmony are the two main reasons for the planning and accomplishment of the succession process on the part of the founders. Therefore, these authors form a typology in which the continuity of the firm represents one axis and the family harmony represents another one, there being a distinction amid strong or weak motivation that produces four cells, as shown in Figure 5.

Thus, each cell represents a combination of different causes, cells 1 and 2 being consistent in the strength or weakness of the founder's grounds and, in contrast, cells 3 and 4 are inconsistent in the strength or weakness of the founder's grounds.

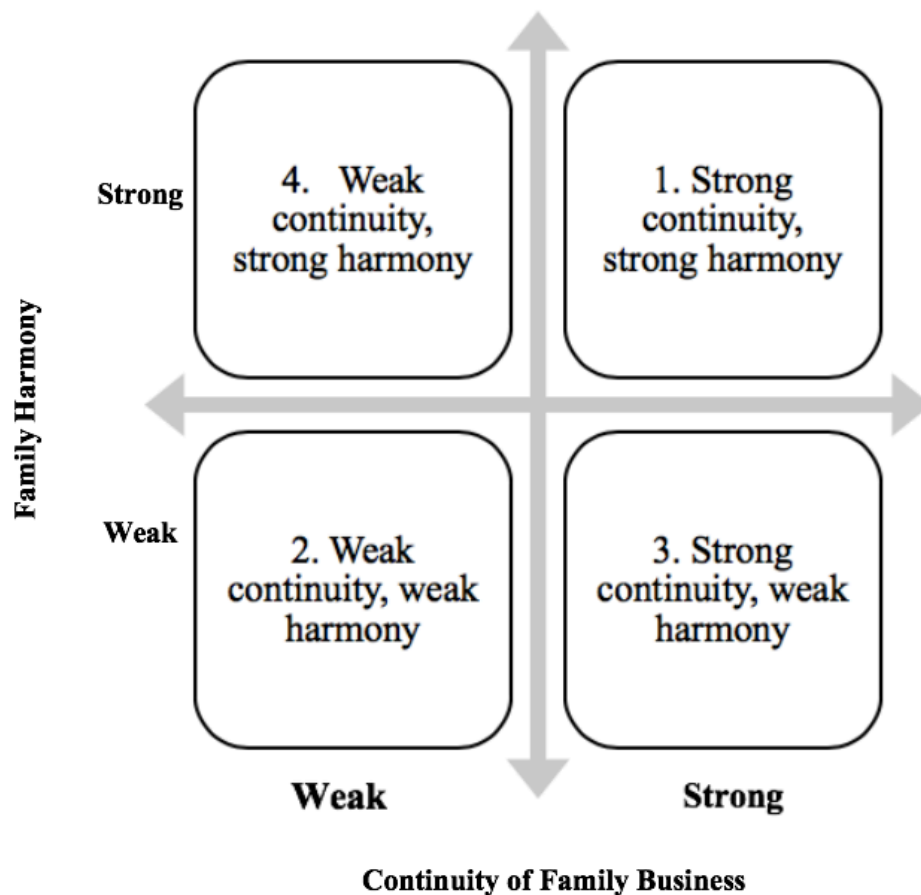


Figure 5: A Typology of Incumbents

Source: Gilding et al. (2015, p. 302)

Cell 1 includes the founders, who reveal a strong motivation for continuity and for family harmony. In cell 2 occurs the inverse of what has been found in cell 1, as a weak motivation is combined on the part of those who are responsible, both for continuity and for family harmony. According to Gilding et al. (2015), this behaviour may be due to the hardship the founders face in giving up their control and power position or to the fact that they do not have friendly relations nor feel their successors support.

Cell 3 symbolizes the predecessors, who have a strong motivation for continuity. Nevertheless, they reveal less motivation for family harmony. Finally, cell 4 displays a strong motivation for harmony, but on the other hand, a weak motivation for continuity.

2.3. Successor

As we have just seen above, the predecessors face the challenge of bringing their children into the business, by defining their roles in the company, preparing them for succession, and convince them that they add value to the business.

In this sense, according to Cabrera-Suarez et al. (2001), besides demonstrating the necessary skills, successors should go through a preparation process involving more than the simple transmission of information about the business or the industry sector where the firm operates. According to these authors, successors must acquire communication, leadership and management skills that allow them to exercise influence within the company.

However, Sharma & Irving (2005) argue that the main quality that a successor must demonstrate throughout the succession process is a deep commitment with the business, stating that it can be portrayed through the following grounds: affective, normative, the imperative and the calculative.

The affective commitment is characterized by the identification of successors with the company's beliefs and goals and by their strong wish to contribute to the achievement of these goals. Unlike to the affective commitment, in which the entrance into the company is determined by the integration desire, in the normative commitment the entrance is otherwise motivated by the obligation to do so. Alternatively, the imperative commitment occurs when the successor has an insecure behaviour regarding to the ability to build a career outside the family enterprise. Lastly, the calculative commitment is revealed once the successor has the perception that if he does not integrate the company, it can be threatened, and the business can consequently lose its value (Sharma & Irving, 2005).

From another point of view, Cater et al. (2016) identify four factors that influence the successors' decisions in the moment of join the family business: the company's history, which translates into a sense of family pride and is especially significant when it comes to the third generation; personal experience, which concerns to the experience that the successors may have had in the company, such as summer jobs during the school; interactions or behavioural dynamics, because when a pattern of healthy interaction between family members is verified this can shape the work environment of the company by providing the idea that the company is a comfort place to work; and the invitation or foresight, since the predecessors can perform as guardians of the company and invite the successors or simply accept their entrance.

According to a recent study from 2018 on the next generations of FB leaders, conducted by PWC entitled "*The same passion, different paths*", it was found that, nowadays, the members of next generation reveal a strong academic background, a high practical drive and a consolidated network of contacts once they arrive at the company. Further in the same study, in which participated 130 successors of the new generations of FB from various countries, it was found that there are four main approaches to management, which the next generation is adopting: guardians, intra-entrepreneurs, transformers and entrepreneurs.

Notably, the guardians tend to focus on protecting the company's profits and on trying to ensure its long-term sustainability, while avoid deviating from the core business created by previous generations. Within the 130 survey respondents, around 20% were on this path, considering that the success of the business is dependent on the transition to the next generations as well as on acting likewise their predecessor or even better.

The intra-entrepreneurs are those who create their own personal project within the FB, often with the support of the family. In other words, they do not hold a high responsibility position in the business, but rather they have the freedom to develop something new, which is independent and generally placed in an adjacent or related sector where the contacts and the reputation of the FB are relevant for the market.

Within the universe of 130 respondents, 30% can be referred to as transformers, meaning that they aim to implement noteworthy changes in the business. Although, with some guardians' features, transformers reveal an extra willingness to implement something new and have the administration support to do so. According to the same study, transformers often start their transformation in digital or marketing areas.

Finally, entrepreneurs are those who choose not to participate in the FB. This group represents about 25% and they have similar characteristics next to intrapreneurs as they also create their own business. Although, they distinguish themselves by having an independent project, out of the family and with no profit return to the FB. Inspired by the entrepreneurial spirit of the family, they create businesses in distinct sectors and with their own funding.

2.4. Group dynamics of succession

The succession process through the leadership groups does not necessarily means the success of a FB. However, when the power is shared between members of the same generation, the

business can get a significant competitive advantage in relation to the others in which the power is concentrated in one single person.

As Cater & Kidwell (2014) point out, to achieve this competitive advantage is essential that cooperative activities replace competitive activities. In this way, once the FB acquire a competitive advantage emerging from the family members high level of commitment with the company's interest, which often leads to the growth of an enriching teamwork mindset combined with the required skills to face increasingly complex competitive environments, which can be more efficient and fruitful, unlike to what a single person is capable of.

This idea is supported by a study from Cater & Kidwell (2014) in which co-operation between members was identified as the dominant quality of the successor generation, thus standing out as the key element in the success of their leadership approach. In other words, in the successor groups where honesty, integrity, transparent communication and harmony prevail, the conditions to the development of a generalized exchange system are met.

In this regard, Cater & Kidwell (2014) proposed a succession of groups in FB with four stages. As can be seen in Figure 6, in the first step, the predecessor starts planning the succession process, looking for potential successors and identifying them as candidates. In the second, the predecessor assesses the possible successors and they enter the business, while they learn the management processes. At this stage, it is often identified an environment of competition between them.

Afterwards, in the third stage, the predecessor chooses a group of successors and gradually reduces his leadership position until leaving the company, thus allowing the group to manage the company as a leadership group. This is the fourth and last step of the succession.

According to the same authors, it's easier for successors to accept this shared leadership process when it has already occurred in the company, that is, when the idea of shared power is not new, but only a continuation of what already occur.

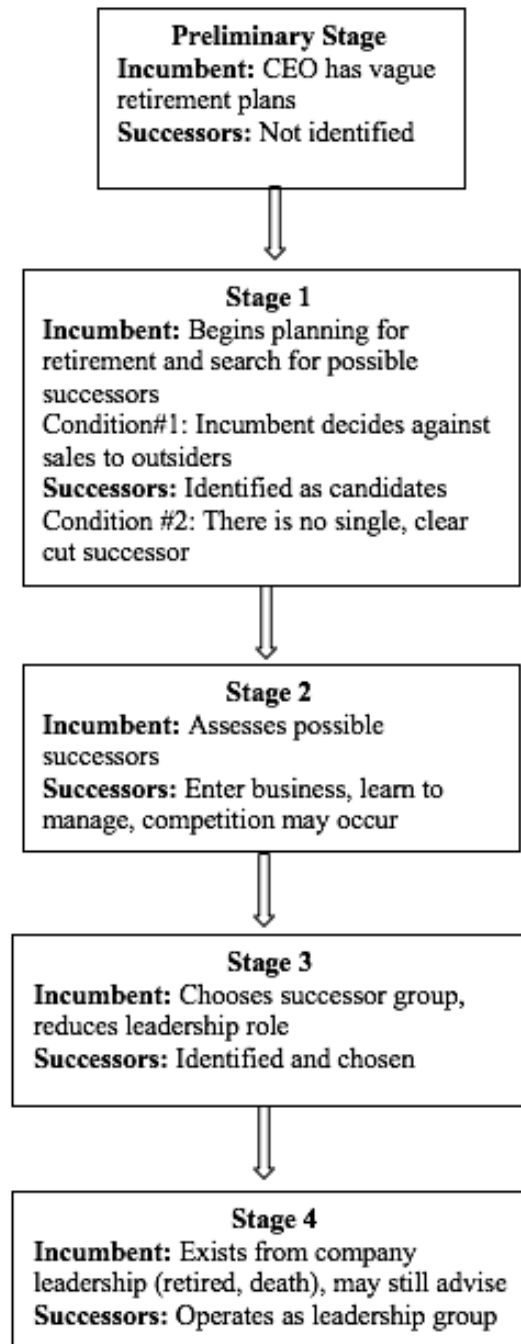


Figure 6: Stages of development on the succession group model

Source: Cater & Kidwell (2014, p. 222)

The authors Cater et al. (2016) agree with Cater & Kidwell (2014) when they claim that the predecessor plays a key role, whether in assessing and choosing the potential team members and in supervising the team formation process but also in accepting to share the leadership with the successor group.

Cater et al. (2016) also refers that successor teams arise from behavioural and family interactions incurred before the entry in the company, and there are five aspects that deserve special attention in their formation: leadership of the predecessors, division of tasks, development of the capabilities of its members, the establishment of a hierarchy and the division of property.

At the same time, Cater et al. (2016) admit the existence of positive and negative paths regarding to the interaction between members of the successor team.

In this way, the right path entails the division of tasks, the development of team members' capacities, the establishment of hierarchy and the division of property, being properly managed by the predecessor and further accepted by the team. It means that in a positive path the companies find a course to transform their family situations into successful business operations (Cater et al., 2016). Conversely, the authors identify two alternatives: a first one, in which FB exhibit a dysfunctional behaviour, thus leading the firm to the immediate extinction and a second one, in which conflicting interests grow among the successors outside the firm and therefore the FB progressively loses its strength.

Thus, successor teams can be an attractive option for predecessors since it is an alternative to choosing a single successor, and they also represent a better use of the human resources available in the family and offers equality positions to the successors (Cater et al., 2016).

2.5. Succession planning and process

2.5.1. Planning

There is an overlap between the activities deemed as components of the succession process and the activities deemed as part of succession planning. Though, Sharma et al. (2003) clarify that all activities contributing to increase the probability of success in transmitting the power from one generation to the next are part of the succession plan. In the other words, the planning of the succession process is carried out when the previous intention of succession occur.

As reinforced by Gordon & Overbey (2018), planning is one of the variations that is often highlighted in a successful succession process. According to the authors, company's strategic plan should contemplate the succession process and anything that it involves and should also be set forth in co-operation with the next generation.

However, as we have already said, there is often a resistance to succession planning process, especially by the predecessor.

In this sense, Ussman (2004) refers the existence of three types of succession processes. The natural succession, which occurs mainly in the transition from the 1st to the 2nd generation and which naturally occurs without the need of formal interventions. The prepared succession, referred by the author as a variant of natural succession, distinguished from this by the formal awareness of the situation, in which the successor formally assumes the position of maximum responsible of the company, and some steps are anticipated and prepared. And the unpredictable succession, which is not planned, as the name suggests, and therefore there is no formal process to introduce the company to the new generation and that's the reason why the successor frequently began his professional activity outside of the FB.

In addition, the unpredictable succession is more common between the 3rd and 4th generations, in which the lack of control is compounded by the existence of many partners, which means that those in charge often want to break the position of some branches of the family in the company. It is also common that this type of succession is adjacent to the problem of business instability due to the creation of a power vacuum that result in more serious situations in small businesses due to the great dependence on the relationship with the founder (Ussman, 2004).

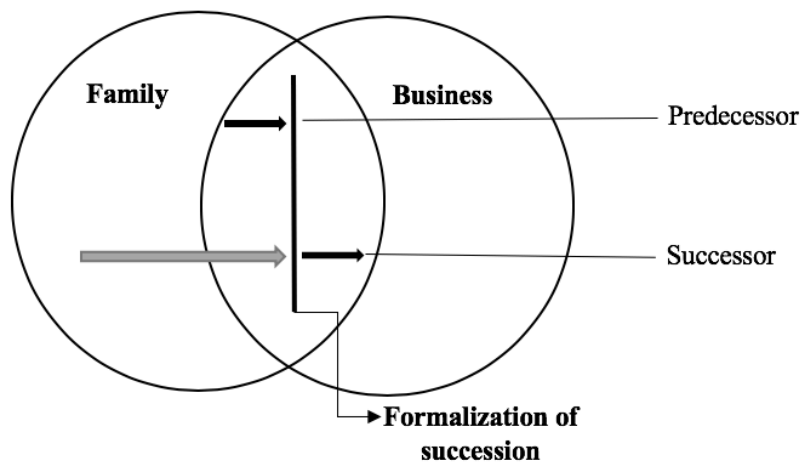


Figure 7: Prepared Succession

Source: Ussman (2004, p. 145)

According to a PricewaterhouseCoopers study conducted in 2016 and entitled "*Consolidating family business strategy: Creating a bridge between short-term and long-term*", succession planning is an important factor in building a bridge between the short term and long term and is fundamental to ensure the business endurance, but also has a broader impact in the sense that it is essential in setting the goals and the future intentions of the owners, the family and the company.

This focus on the importance of strategic planning is fundamental to the succession process, because without some certainty about what are the future intentions for both, the business and the family, it is impossible to choose the right leader, or even know the qualities and skills needed. Therefore, we can understand succession planning as a part of strategic process of a FB.

2.5.3. Succession Process

Cabrera-Suárez et al. (2001) present an integrative model for knowledge transfer and successor learning process in the family company (Figure 8). According with the understanding of these authors, the strategic importance of the knowledge transmission in the FB has an impact on the development of competitive advantages and therefore play an important role in the succession process.

predecessor throughout the process and communication of the decision, not only to the company, but also to all its stakeholders.

Ussman (2004) develop the abovementioned idea, and consider the relevance of a fifth moment, if so, the author presents the division of the process into five phases: the preambular phase, the involvement phase, the formalization phase, the affirmation phase and the effective phase.

The first phase, which the author named as the preambular phase, occurs when the new generation starts to plan its future and decide that the future involves the company, in the other words, the successor chooses a study area connected with the business activity of the family. However, this phase is often realized in an unconscious manner.

The next generation proximity to the company varies from generation to generation, reaching its peak in the second generation with the children's founders and losing relevance as the family grows.

The second phase, the involvement phase, occurs when the next generation enters into the company, generally this integration is relatively easy due to the previous contact that has been established. In this phase, it is common for successors to go through various positions in order to gain the maximum experience and knowledge of the business.

In the formalization phase the power of the predecessor is finally transferred to the successor. Once the previous phase is successfully completed, the formalization occurs without constraints, and is already expected by everyone.

Finally, the affirmation phase occurs, according to Ussman (2004), when the successor acquires enough power and autonomy to implement the required amendments, the succession is assumed in the course of time.

In the abovementioned study, carried out in 2018 by PWC and entitled "*The same passion, different paths*", it is realized that there are a set of key factors, identified as the 5 C's that contribute to the succession process success: culture, communication, clarity, credibility and commitment. Therefore, if any of these features fails, the process and succession become a risk for the company, and not an opportunity.

The culture because, according to the referred study, there is a greater probability that members of the next generation will succeed if the organizational environment is favorable and allow them not only to take responsibility but to develop their own projects.

In the field of communication, it is only through dialogue and the two-way relationship between the two generations that is possible to ensure that new ideas are received in an appropriate way and that, at the same time, ensures that a correct value is placed for the predecessor's experiences.

On the other hand, a clear and well-defined strategy, in which both the successor and the predecessor's rules and responsibilities are defined, is more relevant when it comes to corporate governance. For this reason, clarity is considered a base factor in the whole succession process management.

Although, as also mentioned in this paper, credibility is referred by the PWC study, as the biggest barrier to overcome by the next generation members, as they not only have to earn the respect and credibility of the predecessors, but also of the employees and the company stakeholders. The achievement of these qualities often takes time and entails the persistence of the successors. Finally, the commitment, also mentioned earlier in this work, is referred by the mentioned study as an indicator of the time and dedication that successors invest to help the business and to ensure the continuation.

2.6. Obstacles to succession process

As we have already mentioned in this work, FBs succession process carries great disruptions, which some of them may not resist to. According to Gordon & Overbey (2018) several causes can be identified for the vanishing of the FBs: the lack of successors or their lack of motivation to continue the business; strategic mistakes related with lack of determination to change, diversification or decision-making; the stubbornness of keeping control of the company; and the insufficient accumulation of capital reinforced by inheritance tax which breaks the growth and the company revitalization.

In Mehrotra et al. (2011) perspective, the fact that intelligence is only partially hereditary means that successor candidates often lack the qualifications to lead the company. In that case, it is common for a wrong candidate to influence the future performance of the company. Furthermore, these authors also point out that the most talented candidate may not be the most

loyal to the company and its shareholders, and in such cases is better to replace such candidate by an external manager.

Looking at the succession process from the opposite view, it is possible to confirm that this transition of generation inside the firm represents a huge change in the day-to-day life of the business.

Hence, a business change can be a complex and risky process and, according with Health & Health (2011), sometimes, when the change it's not reported correctly to the people affected by, in this case, to the employers or stakeholders, it's possible to verify a resistance to change, which may represent a threat to the business operations.

On this ground, Mehrotra et al. (2011) report some studies that support the idea that the family succession clearly leads to frustrated performance expectations and corporate stock prices fall significantly when a retired CEO is replaced by his son, although this effect is mitigated in case the child has an elite education and demonstrate above average talent for the business, which is not always the case.

However, family firms appear to perform relatively better in less developed economies when compared to recent studies reporting that in Canada, Denmark, United Kingdom and United States the FBs have lower performance levels.

Thus, according to the above-mentioned study carried out in 2016 by PWC entitled "*Consolidating the family business strategy: Creating a bridge between the short term and the long term*", on a sample of 2,802 companies, it was verified that 43% do not have a succession plan, only 12% reaches the third generation and only 3% exceeds the fourth generation. These data, showing what has been previously said, indicate that the transition to the next generations is the potential failure factor of the FBs as it represents a critical point of great sensitivity in the organization of the family business.

Although families are reluctant to cede control to outside professionals, according to the study, older and higher-level FBs are more likely to hire non-family executive members. For the sake of clarity, 79% of a turnover of more than 100 million firms are managed professionally.

II - Research Design

At an early stage, we start by frame the object of study through a bibliographical research carried out in books and scientific articles, always with reference to Family Businesses and within these, the theme of succession, its stakeholders and, finally, the planning and the succession process.

In the following steps, we will indicate describe the objectives of this work as well as the research strategies pursued to carry out this work and the techniques used in each of them.

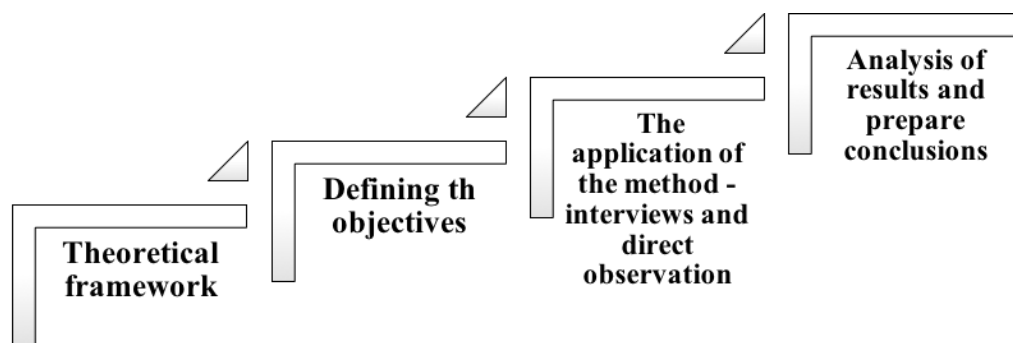


Figure 9: Stages of study

3.1. Research Problem

As previously demonstrated in the literature review, the reality of the Family Business differs from the reality of other companies in several points. These differences do not arise from their economic activity, but from the fact that an FB is the overlapping of two systems, the family and the business, which often leads to deem the business as an extension of the family.

Therefore, the long-term vision is identified as an important feature of this type of business, which enables them to make a significant contribution to the sustainable growth of the economies in which they operate.

On the other hand, also due to their status, these companies present some weaknesses regarding the succession process aspects of the companies' top representative. As referred by Peter

Villax ⁵ , the biggest challenges that FB's face nowadays are their management professionalization, the development of a modern and effective corporate governance model and the succession for the next generation.

As stated by Luís Todo Bom in an article published by Jornal de Negócios, dated from December 2015⁶, the Portuguese business landscape includes a large number of family business groups and companies and therefore the succession issue plays a major role in the national economic scenario. In this way, as the author refers, when family structures exist and operate properly, the succession process occurs on normal market terms and is planned with the necessary advance in a structured way. However, for companies that postpone or flee this process, the succession becomes a problem that will hardly allow the company to reach the 3rd generation.

In this follow-up, the main objective of this work is to analyze the preparation and structure of the succession process as a guarantee of success and longevity of the company. The aim is to achieve the following objectives:

- a) Understand the family businesses dynamics;
- b) Verify the existence of a successor or successors and their pre-disposition to integrate the company;
- c) Analyze how the succession process occur;

The results obtained with this work are mainly designated to the current managers of family businesses and the following generations, in order to warn about the importance of planning and structuring the succession process, as well as the need of an accurate evaluation by the predecessor, successor and the rest of the family at the time of the decision, insofar as this is a preponderant phase for the business. In the other words, an inadequate management of the

⁵Consulted on: <http://www.empresasfamiliares.pt/> Accessed on: 4 October 2018

⁶Consulted on: https://www.jornaldenegocios.pt/opiniao/colunistas/luis-todo-bom/detalhe/a_sucessao_nas_empresas_familiares Accessed on: 4 October 2018

succession process can be disruptive for the success of the company and for the fortune of the family as well.

3.2. Research Strategy

Considering this dissertation purpose, the appropriate method to carry out this investigation is through a case study.

In this regard, we chose this method because, according to Yin (2018), the case study is the investigation of a contemporary phenomenon in the context of real life. Moreover, the case study researcher seeks to articulate global significance from localized findings.

Yin (2018) further explains that case studies can be developed using quantitative or qualitative data, which may come from different kind of sources, such as archives, fieldwork, observation or any combination of techniques. Therefore, there is no specific or restricted method of data collection.

3.3. Research Methods

Research can be categorized as of quantitative or qualitative nature. In this regard, while the quantitative research applies the use of numbers and accuracy, the qualitative research focusses more on experiences and human perceptions.

According with Fletcher et al. (2015), the method of qualitative analysis (Fig.10) differs from the method of quantitative analysis (Fig.11) as it offers the researcher the possibility of developing a holistic perspective of the phenomenon under study and observing the development of the same over the time. This analysis allows the researcher to avoid instant interpretations and enables the interconnection of multiple factors and levels of analysis.

In quantitative research the main goal is to create a copy of reality in data form to know whether this representation is the true one, which represents what people do or what people think about the issue. It means, the researcher must ensure that the information gathered is both valid and reliable to build a statistical research able to prove that it's possible to see beyond subjective experience (Barnham, 2015). Thus, the quantitative research measures phenomena such as brand penetration, brand awareness or product preferences using a concrete sample, it searches for 'facts', is associated with "*what?*" questions (Barnham, 2015).

On the other hand, qualitative research emerged in the 20th century with the rise of social sciences and is applicable when the researcher is trying to understand attitudes, behavior or motivations, being related with “*Why?*” questions.

As Barnham (2015) explains, the qualitative research also begins by providing a description or a representation that corresponds to the mental disposition and people’s actions although qualitative researcher’s methodology yields in what can only be described as mental facts and try to accurate account of the consumers’ mindset.

Subsequently, based on the distinction between both methodologies, (quantitative and qualitative), we decided to use the qualitative methodology. According to Thorpe & Holt (2008), qualitative analysis is often used as a research tool that privileges family business processes which cannot be easily quantified or coded by means of numerical classifications, including situated actions, interpersonal dynamics and processes of interpretation, which is our case.

What are the underlying assumptions about our experience of the world?	We can experience the world only as a perceptual continuum
What is the underlying methodological assumption?	We can assume, ‘a priori’, that all of our perceptions are connected, in some way or other, to one another and are, therefore, relational
What, therefore, is the underlying methodological task?	To establish how respondents divide up their experience of the world through their ‘perceptual judgments’
How do we do this?	We identify how consumers make distinctions and make comparisons in their world
What is the Latin root?	‘Qualis?’ – what sort of?
In practical terms, what do we need to do to achieve this?	?

Figure 10: Fundamental principles of Qualitative Research

Source: Barnham (2015, p. 844)

What are the underlying assumptions about our experience of the world?	We can only experience the world as a series of separated perceptions
What is the underlying methodological assumption?	We cannot assume, 'a priori', that any of our perceptions are in fact connected in the real world
What, therefore, is the underlying methodological task?	To establish the connections that we assume actually do exist
How do we do this?	We can count particular phenomena and the level of <i>incidence</i> that they have with other phenomena
What is the Latin root?	'Quanto' – how many?
In practical terms, what do we need to have to achieve this?	Sufficiently large base sizes, controlled conditions and the correct application of statistics

Figure 11: Fundamental Principles of Quantitative Research

Source: Barnham (2015, p.847)

3.4. Collecting Data

In accordance with Bryman & Bell (2011) it is usual that qualitative researchers opt for open questions, which might change while the research is carried out due to the flexible nature of this approach.

In this study we will apply semi structured interviews to a group of people representative of the issue under discussion, antecessor and respectively successors. Also, we will further carry out an exploratory interview to Peter Villax, the President of the Portuguese Association of Family Business.

According to Quivy & Campenhoudt (2008), by using the exploratory interview, the investigator can discover relevant points which will serve for a future reflection and allows for an overview about the aspects of the problem.

Also, the content of exploratory interview will be the base to design the script of the interviews to founder and the successors.

In this sense, the script of each interview will be planned in order to offer to each of the interviewees the possibility to explain their perception of the whole procedure, as well as the underlying reasons behind this phenomenon. Furthermore, the individual interviews will be based on the presentation of a range of questions, previously formulated, in an interview script, which will include issues directly related to the subjects covered in the theoretical framework of this dissertation: succession, preparation and process.

At the same time, if there is a need for documental analysis, we will data collection technique, documental analysis, through the analysis of relevant documents pertaining to the transition, preparation process and entry of the successor in the business family. These documents can be part of internal communications or external communication, for example the institutional site of the business firm.

As Deshaies (1992) explains, documental analysis can result from different forms according to its origin, and three types can be distinguished: written documents, such as official documents, statistics or private files; documents transmitted through audiovisual sources, such as photographs, films, radio, television, songs, news; and the last ones are figurative ones, as historical documents, museums, places or historical buildings.

3.5. Data Analysis

In order to aim summarized and explanatory representations, we must treat the information to be manageable accessible.

In this context, according to Bardin (2009), the content analysis is a process through which we aim to isolate indicators that allow to draw conclusions / inferences regarding the object under study, using a description of the messages content.

In this regard, the analysis of content is constituted by five stages: the first, whereby the investigator reads all documents that have to be analyzed and choose the ones that will constitute the *corpus*; the second phase of analysis is coding, in which all the essential content shall be removed for further analysis; the third phase is categorization and consists in merging the textual elements to differentiate them from each other and thus creating categories; the fourth phase is inference and aims to study the causes from the effects; finally, the last phase are the results (Bardin, 2009).

In order to proceed to the content analysis, we will transcribe the recordings of face-to-face interviews to digital support and treat them.

4. Characterization of the company

4.1 Fravizel – Equipamentos Metalomecânicos, S.A

Fravizel – Equipamentos Metalomecânicos, S.A is an engineering and metalworking company with more than 30 years of experience. This Family Business has an industrial area of 8,000 sq.m (covered area) and is headquartered in Alcanede, part of Santarém District.

The core business of Fravizel – Equipamentos Metalomecânicos, S.A is developed and manufacture earthmoving equipment, such as buckets, rippers, forks, quick couplers, and machines for quarries and general industry, for example diamond wire and drilling machines.

The company that has 70 employees currently operates six markets from two different areas: industry, mines, port, forestry, construction and public works and natural stone. Furthermore, in the previous year of 2018, the company exported directly and indirectly for 48 countries, among then Angola, Brazil, Germany, Saudi Arabia, Spain and U.S.A.

- **Mission**

The mission of Fravizel- Metalworks and Engineering- is to develop, produce and sell products and services for the natural stone, civil construction, forestry, mining, sea ports, and general industry sectors.

In this sense, the mission is accomplished through the utilization of the appropriate technology and superior quality in order to promote the customer satisfaction, increase productivity and respect, at the same time, the society and environment.

- **Vision**

Fravizel develops accessories and machinery to make its clients work easier, in every possible way, through the development of innovative and quality products that meet client's needs and offering a strong after sales service.

An example of this is the improvement of technologies Industry 4.0 for natural stone with the digitalization of production that represents the paradigm shift of production.

This phase, called the Fourth Industrial Revolution – Industry 4.0 – is being driven by 3 major transformations, the exponential advance in the capacity of computers, the amount of digital information and the new strategies (people, research and technology).

- **Values**

The main values of Fravizel- Metalworks and Engineering are: the focus on meeting the needs of client, promote transparency and integrity of action and Innovation over the time.

Furthermore, the company believes in sustainable development and prioritize the customer satisfaction as the basis of the activity and a key for success without compromising the environmental sustainability.

In this sense, Fravizel obtained the certification of its system of management in quality and environment by the norms ISO 9001 and ISO 14001 and also, was distinguished by President of Portuguese Republic, a strong R&D department with SME Innovation Award.

4.2 History

Fravizel was founded by Eliseu Manuel Vicente Frazão in November 1992 in Pé da Pedreira with the name of Auto-Frazão, Comércio e Reparação de Máquinas e Combustíveis, Lda. Initially, the main purpose was to provide services to clients through the specialized production methods as a complement to the Coremaq company, a machine seller.

In 1998, Auto-Frazão, Comércio e Reparação de Máquinas e Combustíveis, Lda changes the name to Fravizel. Due to the growth of construction, the natural stone market experienced such a colossal increase and the company felt the need to upgrade its work tools and develop them in order to improve entrepreneurship.

The company's location, that is characterized by having various limestone quarries, the knowledge of Eliseu Frazão and his entrepreneurial spirit led Fravizel to explore more about the manufacturing and production processes with the focus on understand the margin developments together with those who use the machines in everyday business.

III - Results

5. Exploratory Interview

Peter Pál de Lancastre Houssemayne du Boulay Villax, is the CEO and the founder of Hovione Capital and he the president of Portuguese Family Business Association since 2007.

In order to better analyze the content of the interview, we divide the following analysis in five main parts. The interviewer, Peter Villax, starts our conversation to underline that the Portuguese Family Business Association is a non-profit and cross-sectoral association which intends to be the voice of these businesses and families.

- **Family Businesses**

We start to approach the challenges of the Portuguese Family Business, in concrete. The relevance of this first approach is based on the idea that the Family Business are different entities since they are a result of three different cycles that live together, the ownership, family and business.

Thus, According to Peter, Portuguese Family Businesses face three main challenges: the first is transversal to all the other companies, they must be innovative, to profit, create wealth and to foster for jobs; the second challenge is internal and its related with the management of both the family and the company at the same time. For example, if the company has a board of directors, the family must hold a family governance structure, and the challenge of succession lies in there.

Equally, Ussman (2004) and Mehrotra et al. (2011) underlines the succession process as one of the most critical questions of a FB existence.

Finally, the third challenge that Peter refers concerns to the social responsibility of the family within the society and links the vision that the family has of itself in relation to society, while some families opt for discretion and do not enable any type of relationship with the society, others choose to have a great involvement in society beyond the simple economic function of their company by means of associative intervention (like associates) or active patronage, for example.

- **Succession Process in Family Business – Portuguese Context**

As we referred before, Ussman (2004) while explain the succession process as dynamic and complex replacement procedure, introduces the time variable, which brings new challenges to the family and to the company. Likewise, Peter explains that Family Business has two types of growth, the demographic growth and the economic growth, thus, whenever demographic growth is greater than economic growth, dividends *per capita* are low, so the challenge is maintaining economic growth always higher than the demographic.

Once again, according with Lansberg (1999) the family members look at the company as a part of family identity. Peter, in compliance with his own experience, explains that in Family Businesses the family undertake the firm as an extension of itself and express their own values therein. Hence, when the company achieves good performance, it easily preserves the family harmony, while in case the company has a bad performance that does not apply. Taking the example of Espirito Santo family, when the business declined, it was also not possible to uphold the family cohesion, although the succession was not under discussion.

In this sense, Sharma & Irving (2005) designs the succession as a risky process in which the organization and their participants passes through the complex situation, not only the antecessor and successor but also the employees. If it results, ensure the continuity of the business along the generations, on contrary, if does not result, may cause huge problems.

Peter agrees that the firm undermines its longevity due to lack of succession planning, because it is necessary to make a cohesive group of each generation, a team with the awareness that it will have the future responsibility to lock up the family wealth. Thus, he underlines that if this standing is not expressed at an early stage, in due course of transition there will be no agreement and the process will therefore be delayed, jeopardizing the Family Business.

Albeit, according with Peter, the numbers referred in *O Livro Branco da Sucessão* (2011:22) that states that 50% of family firms don't passes through the second generation and only 20% can survive to the third, didn't express the Portuguese reality in fact.

Furthermore, in accordance with a PWC study entitled "The same passion, different paths" (2018) there are five key factors that contributes to the triumph of the succession process: culture, the probability of success is higher when the organizational environment is favorable; clarity, the well-designed strategy with the roles of the antecessor and successor defined;

credibility, the major barrier to the new generation that have to build the respect and credibility; commitment is the fundamental requirement to evaluate the dedication and time, invested by successor on the organization; and finally, communication, only through the dialog and the health relationship it's possible that the new strategies are developed and the old ideas are valorized.

On the basis of his acquired know through the association, Peter identifies five key factors to the accomplishment of succession process. The first is the predecessor's access to talent, it means, either has a potential candidate or has to analyze all the options available, because it's important to see that the income of a universe of people will depend on the leadership skills of that person.

The second one is the existence of a prior alignment, being appropriate to carry out an assessment of the economic situation of the firm, and then, the succession should start from a "fertile field", which can only be achieved through communication, sharing of values, business culture and family cohesion. Thirdly, it is necessary to have time, as the succession planning takes between 10 and 15 years. As he explains, the consideration and identification of a successor should start many years before while the successors are still at an early age. In fourth, the interviewed introduces the concept of *Buy-in*, the successors *Buy-in*, it is essential to consult the family government instrument, Family Council, and the Board of Directors in order to calculate the approval of the successors' potential. Finally, the importance of predecessors' support, for at least two years and until the successor feels confident enough to perform the position of CEO.

The concept introduced, *Buy-in*, is related to the acceptance of the successors by the elements of the family, the firm and also to the selection that the antecessor do in order to choose the effective successor among all potential successors. Furthermore, it is possible to systematize throughout the literature review, that the predecessor has major influence not only in the selection but in the process of acceptance the successor by the family. As Ussman (2004) and Vries (1993) refers, the Family Council is the place where the entire family discuss the current issues of the firm and build the future strategies, and, as Peter mentions, it's significant instrument of governance at the time of succession.

Also, the last factor appointed by Peter is also referred beyond the literature review by Cabrera-Suárez et al. (2001) that underline the importance of the antecessor support. Ip & Jacobs (2006:442) goes further and develop the succession planning under three stages, in the second stage, entitled “happenings”, the authors refer the existence of a leadership training, in which the successor learn how to be a leader with the antecessor and the others middle-management employees of the firm.

- **Founders/Predecessors**

When he refers the role of founders/ predecessors in succession process, Vries (1993) and Ussman (2004) appoints the founders as a barrier to succession planning, because they have difficult to accept their own mortality and due to their strong emotional connection with the firm, they refuse and retard the moment of succession. From the Peter point of view, in Portuguese reality, the predecessors haven't been a problem to succession, otherwise depending on the level of maturity and the size of the Family Business.

The Family Business is a firm that reaches a certain limit of growth and to grow further and to make the leapfrog it needs to hire non-family professionals and therefore the succession is a part of this professional training system. In the firms that have not reached this level of maturity to make the leapfrog yet, the founder will be considered eternal. On the other hand, those who have realized that in order to move forward they have to open the control, they will work out the problem of succession much more easily.

In this sense, according to Peter, it all depends on the predecessors' ability and planning capacity to drive a generational transition process to be carried out as smoothly as possible or if it otherwise becomes an abrupt changeover. Based on his experience, he supports that the predecessor exerts a giant influence within the firm and the family because he is the most important intervenient on the successors' selection process, and the only body that can enforce the consensus within both circles. Thus, as Peter explains, the selection of a successor in a company that has already made the leapfrog of professionalization is, most of all, the result of a process in which the predecessor interferes a lot and in which the generation of the successor must also be consulted because they will be the future of the Family Business.

Moreover, while Sharma & Irving (2005) argues that successor should demonstrate commitment to the business, through the grounds of affective, normative, the imperative and

the calculative, Peter stress two important features to consider regarding the successor personality: its personal competence and *buy-in*, this meaning his/her ability to be accepted.

- **Successors**

In this regard, Vries (1993) refers the existence of generational envy, which is the envy that parents feel about their children's emerging abilities. Moreover, according to the same study made by PWC entitled "The same passion, different paths" (2018), the new generations come to firms with strong academic skills, high practical experience and a consolidated network of contacts, and, in some cases, that in some cases can lead to divergences.

In the capacity of Portuguese Family Business Association President, Peter does not know any circumstance in which the fact that successors have more academic skills than predecessor has been a bone of contention. He further identifies two cases concerning to the successors' academic instruction in the Portuguese outline. The first in which, due to the enormous success of the Family Business, the successors refuse to invest in their academic skills and the second case, in which the successors have more academic skills than their parents. As Cater et al. (2016) family should promote the education and development of successors, motivating, at the same time, the willingness to manage the family firm, and according to Peter, if a family does not care about demanding from their children's improvement, then the results cannot be worthy.

Equally, Peter support that the families where the successors have a better academic background than the predecessors, they are the ones on the right path and which can further deal with the market demands and challenges.

- **Post-succession**

Regarding to the post-succession, some authors, such as Ussman (2004) or Baur (2014) refers the existence of a post-succession stage in succession process in which antecessor has a plan for retirement and the performance of successor and the business situation post-succession are evaluated.

Thus, Peter is not aware that there is a formal post-succession planning in Portuguese Family Businesses, nevertheless, in several cases what happens is that the predecessor plays an auxiliary role to the successor as the CEO advisor while he is active and committed with the

Family Business. He also adds that the effective cases of succession that we are aware are those whereby the predecessor behaves this way.

Table 1: Exploratory Interview - Content Analysis

Topics	Theoretical Basis	Interview Content
Family Businesses	Mehrotra et al. (2011) underlines the succession process as one of the most critical questions of a FB existence.	Portuguese Family Businesses face three main challenges: 1) be innovative, be profitable, creating wealth; 2) the management of both the family and the company, at the same time, where succession is included; 3) social responsibility of the family within the society and the linked vision that the family has of itself in relation to society.
Founder/Predecessor	<p>Vries (1993) and Ussman (2004) appoints the founders as a barrier to succession planning.</p> <p>Vries (1993) refers the existence of generational envy, which is the envy that parents feel about their children's emerging abilities.</p>	<p>In Portuguese reality, the predecessors aren't been a problem to succession, however, depending on the level of maturity and the size of the FB.</p> <p>Those who have realized that in order to move forward they have to open the control, they will work out the problem of succession much more easily.</p> <p>Peter doesn't know any circumstance in which the fact that successors have more academic skills than predecessor constitute a bone of contention.</p>

Successor	<p>Sharma & Irving (2005) argues that successor should demonstrate commitment to the business.</p> <p>The family should promote the education and development of successors, motivating, at the same time, the willingness to manage the family firm (Cater et al., 2016).</p>	<p>There are two important features to take into account regarding the successor personality: 1) personal competence; 2) <i>buy-in</i> (ability to be accepted).</p> <p>If a family does not care about demanding from their children's improvement, then the results cannot be worthy, the families where the successors have a better academic background than the predecessors, are the ones on the right path and can further deal with the market demands and challenges.</p>
Post-succession	<p>Baur (2014) refers the existence of a post-succession stage in succession process in which antecessor has a plan for retirement. At this stage the performance of successor and the business situation post-succession are evaluated.</p>	<p>There is not a formal post-succession planning in Portuguese Family Businesses. Nevertheless, in several cases what happen is that the predecessor plays an auxiliary role to the successor as the CEO advisor.</p>
Key factors to succession	<p>PWC study entitled "The same passion, different paths" (2018) mentions five key factors that contributes to the triumph of the succession process: culture; clarity; credibility; commitment and communication.</p>	<p>Peter identifies five key factors to the accomplishment of succession process: 1) the predecessor's access to talent; 2) the existence of a prior alignment, the succession should start from a "fertile field"; 3) it is necessary to have time, as the succession planning takes between 10 and 15 years; 4) <i>Buyin</i>, the successors <i>buy-in</i>; 5) predecessors' support, for at least two years.</p>

5.1 Founder

- **Fravizel S.A as a Family Business**

As Eliseu Frazão started to explain that the company is composed by his wife and his three daughters.

The oldest daughter, Filipa, is graduated in Industrial Engineering and Management and is leading a very important part of the purchasing area. Personally, he described her as a little radical but responsible and demanding with herself.

Joana has a degree in Organizational Psychology and two master's, the first one in Internationalization and Strategy, the second one in Human Resources and is responsible for the human resources area.

Also, Joana accompanies whole company in a transversal way, because, as Eliseu describe, she has a great emotional intelligence, knows people and knows how to deal with their day-to-day issues.

The predecessor states that the management of the company it will be a challenge for her, not only for her assertive personality but for her emotional intelligence, stating that Joana has a huge emotional intelligence and had been prepared for the leadership.

Finally, Inês has a degree in Marketing Management and a master's degree in Strategy and Internationalization and joined the company in the commercial area.

The first aspect which is evidenced is the name – Fravizel – emerges from the family name Frazão. Thus, according with Kasmiri & Mahajan (2010), not all family firms, use their family name as part of their firm name, however, there is some differences in the strategic behavior between family firms that use their family name as part of their firm name and those that do not. The first ones have a higher level of corporate citizenship of their customer's voice in the management and also perform better with greater emphasis on value creation.

Moreover, Lansberg (1999) explains, there is a straight connection between the founder and the company, as consequence, he passes on its values and believes, striving them to be perpetuated through the future generations.

Furthermore, before proceeding the analysis, it's important to clarify the typology, it means, the actual position of Fravizel in a three stages model designed by Neves (2001) to understand the evolution that will result from the succession process.

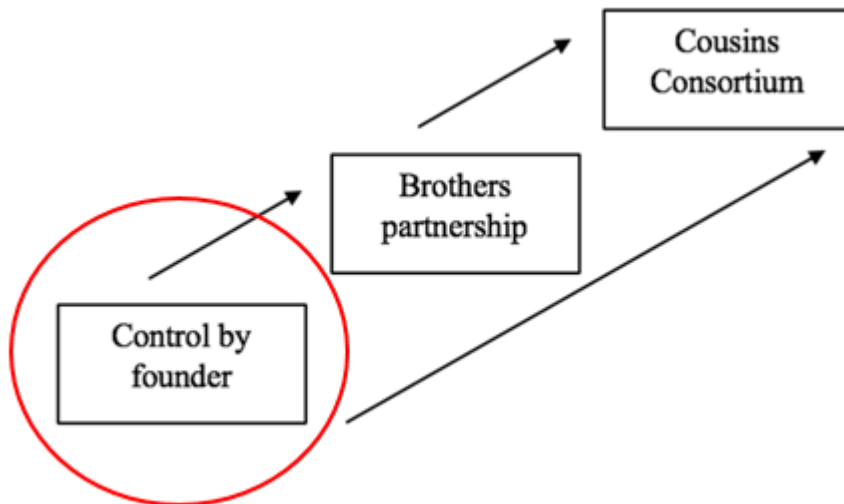


Figure 12: Forms of Control and Management in Family Business (Fravizel S.A positioning)

Source: Neves (2001, p. 6)

As we can perceive, although, the entrance of the successors to the business constitutes an important advance for the next stage, the successors still report to the founder, Eliseu Frazão, that remains the most crucial element in the decision-making process.

- **Succession Planning and Process**

The successors joined the company naturally, according to the founder, he never influenced their academic path or established that they should work in the FB. Instead, they always worked within the company during the school holidays and always and they felt not only beneficiaries but part of the project.

However, according with Eliseu, at some point of their lives, he invited them to join the business, with a proviso that, if they won't, the natural course of events would be prepare the company to sell it in four or five years.

As supported by Gordon & Overbey (2018) company's strategic plan should contemplate the succession process and the alignment with the next generation. Thereby, it is possible to confirm that predecessor starts the succession planning of Fravizel at this point.

Gilding et al. (2015) appointed two reasons that lead the founders to accomplish the succession process, which are the continuity of FB and family harmony, thus, analysing this case, in the light of the typology of these authors, Eliseu stands in cell 1, revealing a huge motivation for business continuity but also for family harmony.

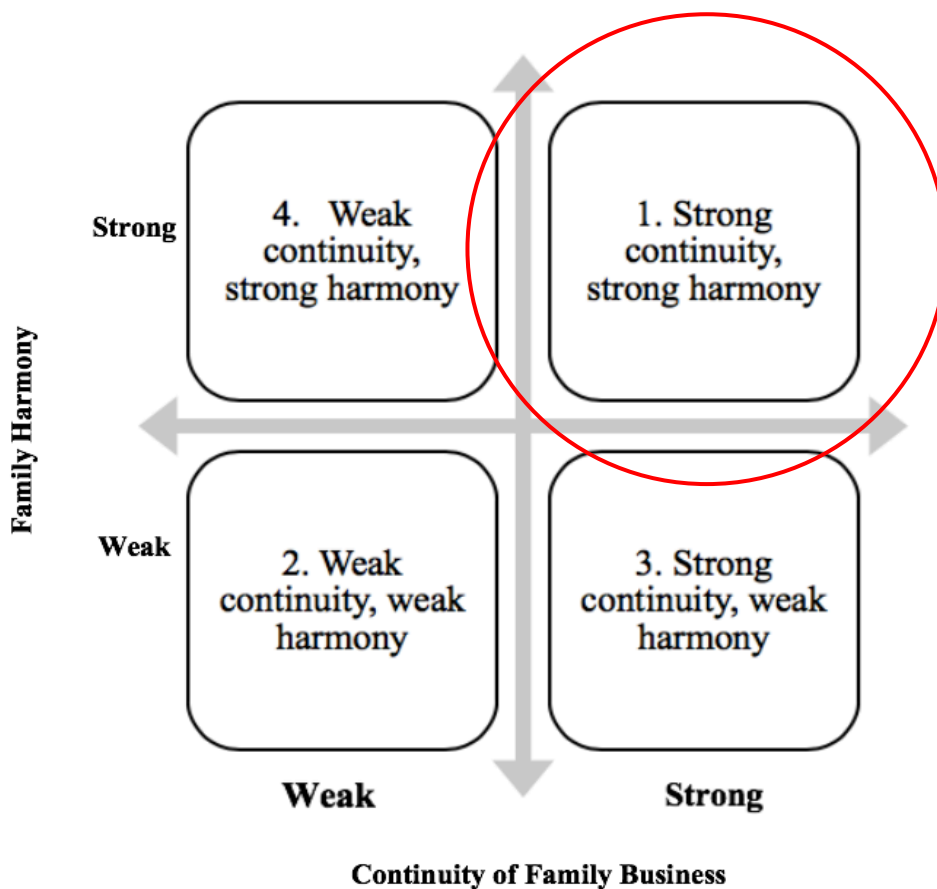


Figure 13: A Typology of Incumbents (Fravizel S.A positioning)

Source: Gilding et al. (2015, p. 302)

Furthermore, according to the founder, the theme of succession exists, it's not a formal plan but it's defined and is discussed between the elements of the family, although, it's not a critical subject in day-to-day operations.

Moreover, following the succession group model developed by Cater & Kidwell (2014), Fravizel is now positioned at second stage, which means, in the first stage, the predecessor started to plan the succession process and identified the possible successors as candidates, and now, in the second stage the successors already joined the business and started to learn the management processes.

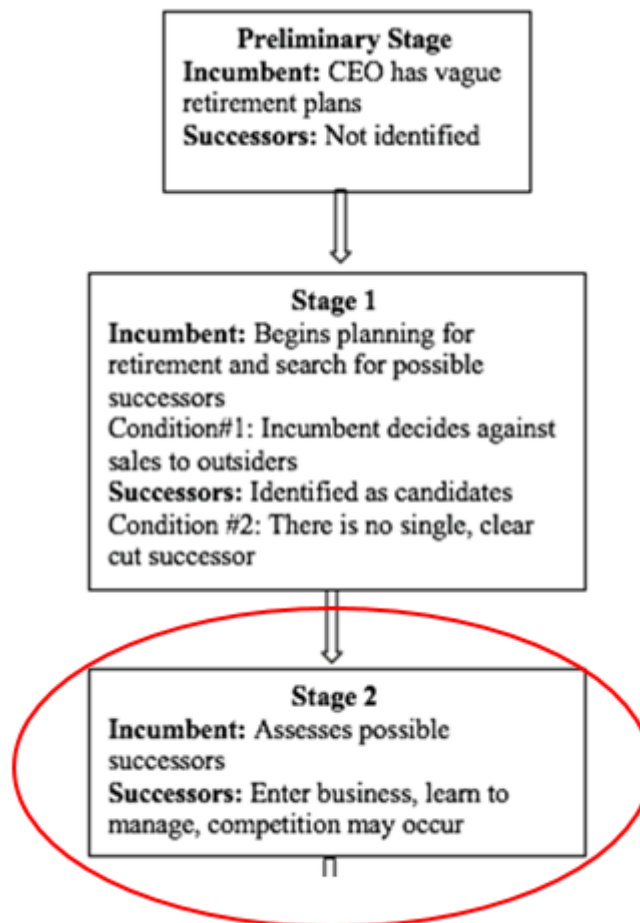


Figure 14: Stages of development on succession group model (Fravizel S.A positioning)

Source: Cater & Kidwell (2014, p. 222)

The potential successors were allocated to different areas of the business, with the clear purpose of learn more about the business, allowing, the reduction of leadership role of the founder, which constitutes the third stage of above-mentioned succession group model.

The Vries (1993) approach that state the difficulties of the predecessor in accept their own mortality and the constraints caused by the existence of generational envy from parents relatively to children's abilities can't be verified in this case.

Albeit, the predecessor admits the new approaches that successors can bring to the business, recognizing their communicative skills and their different attitude towards business, which is been reflected, for example, in the development of internal and external communication tools.

In this regard, according to Eliseu what they bring new to the company doesn't scare him because he has confidence that their successors have the humility to perceive the culture of the others to implement the changes in the desired direction.

Ussman (2004) mention the existence of three types of succession processes: the natural succession, which occurs in the transition from the 1st to the 2nd generation without the need of formal interventions; the prepared succession which basically consists in a variation of natural succession in which the successor formally assumes the position of highest responsible of the company after a careful and detailed preparation and unpredictable succession which is not planned and therefore there is no formal process to introduce successors on the business.

As Eliseu explains, he and his potential successors work every day to make the generational transition gradually and the centrepiece of this effort is the allocation of the three potential successors to different areas of the business and the division of responsibilities, which constitutes a prepared succession process.

In a study carried out in 2018 by PWC and entitled "*The same passion, different paths*", it is realized that there are a set of key factors, identified as the 5 C's that contribute to the succession process success: culture, communication, clarity, credibility and commitment. On this basis, in the course of this process, the predecessor assure that is not afraid of losing family values because are familiar with business, the projects and the culture and love their jobs, confirming the importance of this factors in this specific case of succession.

The Sharma et al. (2003) and Ussman (2004) approaches that the succession process consists in a set of chronologically dispersed activities: the choice and preparation of the successor; the development of a strategic plan after succession; the definition of a role of the predecessor throughout the process and communication of the decision is totally verified in Fravizel case.

5.2 Successor

- **Fravizel S.A as a Family Business**

As we did with the founder, Eliseu Frazão, we asked Joana to describe Fravizel as FB with clear purpose of analyze their own visions.

In this regard, Joana starts to explain that the company is constituted by her parents and her sisters, Inês and Filipa.

Then, she describes her both parents and emphasizes the role of her mother in the development of the business, specially throughout the contribution in the financial area and the deep technical knowledge of her father that allows him to follow the market demands.

Also, according to Joana the company is managed by her father and he is undoubtedly the leader that has the required characteristics to contribute greatly to innovation and development of the production area.

Therefore, the above-mentioned vision of the successor is the same of the predecessor.

As the result of her academic background, she added the idea that Frazivel is “*a family long before being family*”, because they are running into an intense activity and most employees are with them since the first day.

- **Succession Planning and Process**

Joana began by underline the idea that she and her sisters joined the company by their own will, without pressure from their father, the founder.

Joana and her sisters, Inês and Filipa worked in the company during their summer holidays which provided the first contact with Fravizel. In this regard, up to the present moment, the case of Frazivel validate the approach defended by Cater et al. (2016) that lists four factors that influence the successors decisions in the moment of join the FB which are: the company's history, personal experience, which concerns to the way how successors experience the company throughout the summer job, for example, interactions or behavioural dynamics and the invitation of the predecessor.

Also, Joana explains that the three potential successors of Fravizel enrolled in different areas which they felt more affinity and, in the end of their academic paths, each one had a first work experience outside the company.

According to Sharma et al. (2003) the succession process consists in a set of chronologically activities. Thus, the first contact described by Joana can be linked to the preambular phase described by Ussman (2004), that takes place, when the successors start to plan the future and in an unconscious manner.

Apart from the already mentioned preparation process, Sharma & Irving (2005) sustain the idea the main quality that successor must present in the course of the succession process is a deep commitment with the FB and Joana adds that nothing was imposed to her, although, she felt a high commitment to company because she grows up there.

Also, Sharma & Irving (2005) suggests the existence of four types of commitment, affective, normative, the imperative and the calculative. In Joana's case is easily perceptible and identifiable the first one, affective commitment which is characterized by her identification with the company's beliefs and goals and her strong wish of being a part of these achievements.

As already happen with the founder, Joana does not mention the existence of a formal succession plan, although, since they have some areas under the responsibility of each one, they are trying to switch between the areas in order to understand the business as a whole.

Thus, once again, the behaviour described above matches exactly with the group dynamics of succession described by Cater & Kidwell (2014) model in which the co-operation between the successors is identified as the key quality for success of the process. As supported by Joana when she expressed her confidence in the future due to the diversity of knowledge areas and management skills possessed by her sisters, the competitive advantage lies in the replacement of competitive activities by cooperative activities.

At this moment, under the analysed content from the interview, becomes possible to reinforce the idea of Cater et al. (2016) that mentions the choice of succession team as a better use of human resources available, offering equality positions to all daughters.

Finally, moving towards the succession process as a knowledge transference process from predecessor to successors. Cabrera-Suárez et al. (2001) considers the information and tacit

knowledge of the founder as the most valuable resource of the business, recognising the importance of the relationship between them to the process accomplishment.

In the same way, Joana recognizes the knowledge transference as a process, describing exactly the same path suggested by the authors Cabrera-Suárez et al. (2001), which consists in accompanied not only her father, but key people of the business, in order to acquire structural knowledge of the business, beyond the already acquired academic training.

Everything has been a process, Joana accompanied the key people of the business from different areas which allowed me to acquire a very structural knowledge, she learned with them, and she also felt that they learned with me and this is a strong contribute for succession acceptance process.

Is the above-mentioned process which enables the potential successor to build, across the phased process, the necessary foundations for a sustainable autonomy to do some changes and to reduce the intervention of the actual leader.

Moreover, is due to the strong communication among the family elements, namely between the founder and the potential successors which leads to the predecessor reduces his involvement in the business and the successor increases it until the transfer of power occurs.

5.3 Results and Discussion

Table 2: Fravizel S.A Succession Phases

Topics	Theoretical Basis	Development of the succession process
Preambular Phase	<p>Sharma et al. (2003) and Ussman (2004) suggest that the first phase of the succession process starts when successors acquire conscious about their role in the future of the FB.</p>	<p>The founder, at some point of successors lives, invited them to join the business, with a proviso that, if they won't, the natural course of events would be prepare the company to sell it in four or five years.</p> <p>The successors worked in the company during their summer holidays which provided the first contact with Fravizel.</p>
Involvement Phase	<p>The second phase, described by Sharma et al. (2003) and Ussman (2004), occurs when the next generation join the company.</p> <p>In this phase, it is common for successors to go through various positions in order to gain the maximum experience and knowledge of the business.</p> <p>According to Cater & Kidwell (2014) succession group model after the successors joined the company, they start a learning process.</p>	<p>The potential successors were allocated to different areas of the business, with the clear purpose of learn more about the business, allowing, the reduction of leadership role of the founder.</p> <p>The three potential successors of Fravizel enrolled in different areas which they felt more affinity.</p>

Table 3: Predecessor and Successor Motivations

Topics	Theoretical Basis	Development of the succession process
Predecessor Motivations	Gilding et al. (2015) appointed two reasons that lead the founders to accomplish the succession process, which are the continuity of FB and family harmony.	Throughout the invitation of his three daughters to the business, Eliseu, revealing a huge motivation for business continuity but also for family harmony. Although, it's not a critical subject in day-to-day operations, the founder recognizes the importance of the succession planning.
Successor Motivations	Sharma & Irving (2005) sustain the idea the main quality that successor must present in the course of the succession process is a deep commitment with the family business. Cater et al. (2016) lists four factors that influence the successors decisions in the moment of join the family business which are: company's history, personal experience, the invitation of the predecessor and behavioral dynamics.	Joana underlined the idea that she and her sisters joined the company by their own will, without pressure from their father, the founder . Is perceptible and identifiable the affective commitment which is characterized by Joana's identification with the company's beliefs and goals and her strong wish of being a part of these achievements

Eliseu Frazão and Joana correspond, each in their role, to what the theory dictates on the notion of founder and successor. On one hand, Eliseu corresponds to the notion referred by Ussman (2004) of a humble person who without no academic background. On contrast, Joana, one of the successors, that already work in the company and has a consistent and structured academic background, as we already mention.

Although there is no formal plan for succession of Fravizel, across the interview with the founder, we can perceive that everything is delineated, and all the parties are developing the best practices detailed by the major theories applied in the present investigation.

Regarding to the transmission of the fundamental aspects of the FB culture, Eliseu Frazão develop this transmission in the spontaneous way across the day-to-day business operations, while Joana recognizes this culture and its importance.

One of Joana's major challenges in the future as leader will be the management of the organizational culture. In other words, with the full achievement of the succession process, Joana, as successor, should exercise her leadership with her own approach, maintaining and preserving the culture aspects that characterize, not only the family but the business along the generations. Moreover, as a possible successor, Joana believes that the best way to manage the company is to follow the example of her father, in order to prolong and conserve the culture already installed.

Furthermore, although Eliseu Frazão didn't influence his daughters in their academic path, they joined in FB. However, the lack of a formal plan could have been reasonably anticipated for the founder since his daughters had not the will to join the company. Because, although descendants grow within the FB environment, this environment by it-self does not guarantee that one day the descendants will want to join the company, even though, according to Ussman (2004) the probability is high.

Touching now upon the relationship between the father and the successor, they seem to be very close, since Joana underlines the admiration for her father and his knowing about the business. In the same way, Eliseu reports the existence of a straight relationship of a great mutual respect where the both sides benefit and, also, the probability of success in the generational transition is higher.

Hence, Joana should have the capacity to acquire the virtues, but, at the same time, recognize and modify the wrong behaviors that may exist in her father leadership, on the way to perform better in the future.

Moreover, the preparation of the entire family is also necessary, since the succession represents not only a change in the structure of the responsibilities but also in the relationships between family members. As referred by Cabrera-Suárez et al. (2001) the founder should help to guide the family relations in order to promote the acceptance of the successor as the new figure of authority in the FB.

At last, it is relevant to suggest some points that can still be improved in the Fravizel succession process. In order to systematize some procedures and methodologies to prepare the future were important to create:

1. Family protocol;
2. Shared Leadership;

We suggest that the company advance with the creation of a Family Protocol that should assist in the relationships of the family members with the company. This type of instrument is defined by Ussman (2004) as a written document signed by all members of the family over 18 years old with main goal of include all issues related with strategic vision and family values.

Another important point that can make a difference in Fravizel succession process is the gradual decentralization of power and the creation of a share leadership, which consists the replacement of one single leader for three leaders, in this case, the three daughters of the founder, completing the total phases of Cater & Kidwell (2014) model.

6. Conclusions

Considering the relevance that the family businesses represent, whether in the Portuguese business structure and at an international level, is fundamental to look at generational transition as one of family businesses' key steps as, according to Mehrotra et al. (2011) it is a critical moment not only to the family business itself but also to the family inside relationships.

In this respect, this process shall be planned in due time and all of those who are involved shall be aware in order to, cohesively and considering the above-mentioned conditions, the process becomes effective.

The study carried out in this work aimed to look into Fravizel planning and succession process to the second generation, assessing the critical points of success, the practices, drawing a comparison with similar company's models and succession strategies, suggesting, at the same time, possible adjustments according to the diagnostic and to the assessment of the best practices.

This way, according with the literature review, it is possible to confirm that the key success factors in Fravizel are in line with the theory defended by the referred authors, even though the succession process has not been concluded yet.

Regarding the succession process we may conclude that the same is ongoing, despite the founder unveils the inexistence of a formal plan, even mentioning in his speech that the course

of succession will be a natural process, reinforcing that the three potential successors are already inside the company and have been welcomed by the business community.

The key success factors for the succession planning and process have been identified, which are as follows: 1) the founder guided its daughters (successors) for the areas of their own interest inside the company; 2) the successor main selection criterion was that she is his daughter; 3) the succession transmission is being carried out on the basis of exchange of know-how; 4) the founder demonstrated its will of leaving the company to its descendants; 5) the existence of good relations, strong ties and a good communication between them make the transition easier; 6) there is no formal, tax, legal and/or property planning; 7) the leadership training is being naturally provided by the founder; 8) the succession transmission as a staged procedure; 9) the growing decentralization of power and, consequently, the increasing of responsibilities shared between the successors is becoming effective.

Likewise, even though the process has not been concluded yet as the leader and founder is still working, it is possible to confirm the stages of the group succession referred in Cater & Kidwell and also the different stages referred by Sharma et al. (2003) and Ussman (2004): the preambular phase, the involvement phase, the formalization phase, the affirmation phase and the effective phase. This said, we take the view that the process is happening stepwise.

Since there is no formal succession plan, we could expect the process to be inefficient. However, Eliseu Frazão challenges this idea and is not worried about it, claiming that the succession will occur naturally while he will keep on the company's leadership until it is possible.

Moreover, it is possible to conclude, even though this is a group succession, that it is not possible to state that the same will occur as expected until the final step. During the interviews' analysis, Joana has been referred as the potential CEO successor, not only by its education but also because her personality looks closer to the founder's personality. Therefore, there are several matters to which Joana shall be aware in order to keep the business in good stand: firstly, the relationship with the workers and, secondly, by revealing an open attitude with regard to learning, preparation and development, which cannot be neglected.

Another issue that must be considered, despite being less discussed in theory is that not only the leaders that change or succeed, the workers also do. The today's workers are not the same

as they were 30 years ago since their mindset and behavior have inevitably changed. This is the reason why the successor shall be aware to this progression the same way as Eliseu, which mentioned new approaches.

Despite the critical points for the generational transition process have already been identified, the main guidelines to consider are as follows: the creation of a Family Protocol; the Succeeding Process professionalization; the creation of “Family Offices”; the step-by-step achievement of a Shared Leadership / Co-responsabilization, and; the creation of a Family Counsel.

- **Restrictions to study**

One of the main constraints faced in course of this investigation was the wide literature models regarding the succession planning that can be assessed and interpreted from other standpoints, plus the subjectivity demonstrated by every researcher. Another constraint might be the fact that we were only able to directly analyze one successor, since there were more successors in the line of succession. On the other hand, this research allows some conclusions with respect to the successor performance and its corresponding impact in the company, although this is just a prediction that may be contradicted in the future, as there are several potential events that can affect the succession process of the company’s senior leader.

Furthermore, it’s important to underline that the lack of sufficient know about the succession practices in this branch of industry does not allows us to compare Fravizel succession process to another one.

- **Future Recommendations**

In the future, it would be interesting to study the remaining potential successors, not only in respect of their leadership profile, but also under the angle of female succession, specifically in a sector when men prevail.

Nevertheless, and considering the subjective nature of this research, the same could be widen with a more supported qualitative analysis by using more tools and extending the research to workers, thus assessing the succession also in terms of organizational change. This model would allow, besides the definition of the leadership role of the founder and the workers

perception, enabling the creation of organizational dynamics that would ease all the succession process and planning.

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APPENDIX 1- Exploratory Interview Script - Peter Villax

- 1) In the welcome note of the Family Business Portal, one of the biggest challenges of Family Businesses is the "succession from one generation to another". What are the other challenges that these companies face?
- 2) Why succession is a challenge?
- 3) In your own vision and based on your knowledge of Family Businesses, what are the 5 key factors for success in succession process?
- 4) From the previous literature review, we conclude that one of the greatest obstacles to succession is the difficulty that the founders / predecessors have in accepting their mortality. Do you agree?
- 5) According to a study made by PWC entitled "the same passion, different paths" the new generations come to firms with strong academic skills, high practical experience and a consolidated network of contacts. Do you agree with this study? Considering the cases in which the academic skills of successor are greater than the one's of the predecessors, do you consider that this can lead to divergences?
- 6) Is there any factor that determines whether a generational transition happens as a relatively smooth process or as a revolutionary change?
- 7) Although mentioned on a smaller scale, communication is seen by some authors as a fundamental element for the succession process to be successful. Do you agree?
- 8) The life time expectancy in Portugal increased by 2.28 years for the general population and was set at 80.78. This means that it is frequent for the predecessors to be in active age at the time of the succession process. There is any post-succession planning in the Family Businesses?
- 9) In Portugal, it is estimated that 70 to 80% of all businesses are Family Businesses, O Livro Branco da Sucessão (2011) states that 50% of family firms don't pass through the second generation and only 20% can survive to the third. What, in your opinion, is

the cause for these numbers? Do you consider that succession planning compromises longevity?

APPENDIX 2- Founder Interview Script – Eliseu Frazão

- 1) Can you describe your Family Business and the family members who are involved in it?
- 2) In your own opinion what distinguishes your company, as a Family Business, from a Non-Family Business?
- 3) From your point of view, how will occur the transition from your generation to next?
- 4) Do you have a formal plan for succession process for the next generation?
- 5) There is the idea that the Family Business must be profitable to provide comfort to the future generations. Ever had the idea that you were building a legacy for the next generation?
- 6) Your daughters already work in the company and through their different backgrounds, they contribute with changes and improvements to the business operations. How do you think employees perceive these changes driven by the next generation?
- 7) Family Business are guardians of values and of a family culture that grant a unique characteristic to the business. How do you see the future with the next generation in the company?

APPENDIX 3- Successors Interview Script

- 1) Can you describe your Family Business and the family members who are involved in it?
- 2) In your own opinion what distinguishes your company, as a Family Business, from a non-family business?
- 3) From your point of view, how will occur the transition from your generation to next?
- 4) When did you start your professional activity in your Family Business?
 - a. Why? What led you to join the family business?
- 5) There is any formal plan for succession process? For example, the influence in choosing your academic path?
 - a. If so, did you know about the formal existence of this plan for succession process?
- 6) Any individual goals changed in favor of the succession process?
- 7) How do you consider that the employees perceived the eventual changes generated by the arrival of the new generation to the business?
- 8) Family Business are guardians of values and of a family culture that grant a unique characteristic to the business. Does this motivate you as a successor or make you apprehensive in your decisions?
- 9) Several authors affirm that the succession process consists of a set of chronologically dispersed activities, highlighting four: the choice and preparation of the successor; the development of a post-succession strategic plan; the definition of the role of the predecessor throughout the process and the communication of the decision. Can you describe, in 5 steps, the succession process of your Family Business?

APPENDIX 4- Exploratory Interview - Peter Villax

- 1) In the welcome note of the Family Business Portal, one of the biggest challenges of Family Businesses is the "succession from one generation to another". What are the other challenges that these companies face?**

Family businesses face three main challenges: the first is transversal to all other companies, must be innovative, make a profit, generate wealth and create jobs; the second challenge is internal and it's related with the management of the family and the company at the same time, for example if the company has a board of directors, family has to have a family governance structure, and the challenge of succession is inserted where; and finally; the third challenge is concerning to the social responsibility of the patrimonial family within the society and relates the vision that the family has of itself in relation to society, because while some families opt for description and do not establish any type of relationship with the society, others choose to have a great involvement in society beyond the simple economic function of their company, for example through associative intervention or active patronage.

- 2) Why succession is a challenge?**

A Family Business has two growth's, demographic growth and economic growth, each time demographic growth is greater than economic growth, dividends *per capita* are low, so the challenge is maintaining economic growth always larger than the demographic. Moreover, we know that in Family Businesses the family assume the firm as an extension of itself and project their own values in the firm, consequently, when the company has good results, it easily preserves the family harmony, instead, when the company has bad performance, the same is no longer the case. Taking the example of Espirito Santo family, when the business didn't run well, it was also not possible to maintain family cohesion, although it was not a case of succession.

- 3) In your own vision and based on your knowledge of Family Businesses, what are the 5 key factors for success in succession process?**

First is the predecessor's access to talent, it means, either has a potential candidate or has to analyze all options available, because it's important to see that the salary of a universe of people will depend of the leadership skills of that person; second, the existence of a prior alignment, there must be an evaluation of the economic situation of the firm and the succession should start from a "fertile field", which can only be achieved through communication, sharing of values, business culture and family cohesion; thirdly, it is necessary to have time, a succession planning takes between 10 and 15 years, for example, the reflection and identification of a successor should start many years before, when the successors are still at young age; fourth the successor's Buy in, because it is necessary that the family government instrument, Family Council, and the Board of Directors should be consulted in order to measure the acceptance of the successor potential; and finally the predecessor's support to the successor, for at least two years and until the successor feels confident in the position of CEO.

4) From the previous literature review, we conclude that one of the greatest obstacles to succession is the difficulty that the founders / predecessors have in accepting their mortality. Do you agree?

It all depends on the level of maturity and the dimensions of the Family Business. The FB is a firm that reaches a certain limit of growth and to grow and make the necessary "jump" needs to hire non-family professionals, consequently, the succession is a part of this system of professionalization. In the firms that have not yet reached this level of maturity to take this "jump", the founder will be considered eternal, on the other hand, those who have realized that in order to move forward they have to open the control to non-family professionals, will resolve the problem of succession much more easily.

5) According to a study made by PWC entitled "the same passion, different paths" the new generations come to firms with strong academic skills, high practical experience and a consolidated network of contacts. Do you agree with this study? Considering the cases in which the academic skills of successor are greater than the one's of the predecessors, do you consider that this can lead to divergences?

No, in the Portuguese panorama, two cases are identified, the first in which, due to the enormous success of the Family Business, the successors refuse to invest in their academic skills and the second case, in which the successors have more academic studies than the parents. What's the difference in all of this? The values, because if a family does not care about demanding from

their children's that they strive, the result will not be good. On the contrary, in the family where the successors already have more academic skills than the predecessors, these families are the ones that are on the right track and can correspond to the demands of the market, I don't know any cases in which this fact has caused discord.

6) In your opinion, is there any factor that determines whether a generational transition happens as a relatively smooth process or as a revolutionary change?

It all depends on the predecessor, his will and the way he organizes and planning the succession process. The predecessor exerts a giant influence within the firm and the family, he is the most important intervenient on the successor selection process, and the only body that can impose the consensus within the both circles. The selection of a successor in a company that has already made the "jump" of professionalization is, most of all, the result of a process in which the predecessor interferes a lot and in which the generation of the successor must also be heard because they are the ones that drives to continue the Family Business. Moreover, there are two important things to consider in successor, your personal competence and your *buy-in*, it means, the ability to be accepted.

7) Although mentioned on a smaller scale, communication is seen by some authors as a fundamental element for the succession process to be successful. Do you agree?

Communication added value to a succession process, both externally and internally. This is because, for the employees of the company, for the stakeholders and for public opinion, the succession of a Family Business is very important. For example, in the succession of Paulo Azevedo by his sister, in the Sonae group, I consider that the communication abroad could have been more worked, in the sense, it was doubtful if it had been a friendly transition or not. On the other hand, the best example of communication of a succession transition was, in my opinion, the case of Bial, where the replacement of Luís Portela by his son António Portela was communicated in an enlightening way, always in the presence of both.

8) The life time expectancy in Portugal increased by 2.28 years for the general population and was set at 80.78. This means that it is frequent for the predecessors to be in active age at the time of the succession process. There is any post-succession planning in the Family Businesses?

I am not aware that there is a formal post-succession planning in Portuguese Family Business, in several cases, what happens is that the predecessor, while still be active, plays a helping role to the successor as CEO advisor. Successful cases of succession processes are the ones in which this happens.

9) In Portugal, it is estimated that 70 to 80% of all businesses are Family Businesses, O Livro Branco da Sucessão (2011) states that 50% of family firms don't pass through the second generation and only 20% can survive to the third. What, in your opinion, is the cause for these numbers? Do you consider that succession planning compromises longevity?

I totally devalue this statistic. Obviously, a firm compromises its longevity due to lack of succession planning, because it is necessary to make a cohesive group of each generation, a team with the awareness that it will have the future responsibility for lock up the family wealth. If this positioning doesn't exist at an early stage, at the time of transition comes there will be no agreement, consequently the process will be delayed, and this is risky for Family Business.

APPENDIX 5- Founder Interview

1) Can you describe your Family Business and the family members who are involved in it?

Yes, it's me, my wife and my three daughters. My wife works with the accounting and financial areas and is a very committed professional who has always accompanied me in good or bad times.

My oldest daughter graduated in Industrial Engineering and Management and is leading a very important part of the purchasing area, personally, she is a little radical but responsible and demanding with herself.

Joana has a degree in Organizational Psychology and two master's, the first one in Internationalization and Strategy, the second one in Human Resources and is responsible for the human resources area. She accompanies whole company in a transversal way, because she has a great emotional intelligence, knows people and knows how to deal with their day-to-day issues. I am sure that the management of the company it will be a challenge for her, not only for her assertive personality but for her emotional intelligence. '

She had been prepared for this responsibility.

My daughter Inês, has been presented commercial vocation, she has a degree in Marketing Management, a master's degree in Strategy and Internationalization and started to work with myself early in the commercial area. Furthermore, like the two sisters, she has accompanied us throughout her academic path. I consider this very important for them, to know the real difficulties of companies, which are often quite different from the academic reality and when you can align both experiences the adaptation is much faster.

2) In your own opinion what distinguishes your company, as a Family Business, from a non-family business?

I have a problem, which may not be a problem, I'm very demanding and everyone who walks around me must work a lot, it means, I believe that when it works well, the result appears. In the other hand, when we are very strict we make people around to walk very fast to follow us.

I found that in the businesses, people should be serious and rigorous. I am very demanding, and this is expensive, costs money and time, and people who work here already know these values, we are family, and this is the culture that I transmit to my collaborators

3) From your point of view, how will occur the transition from your generation to next?

We work every day to make this transition gradually and as smooth as we can. Actually, in day-to-day operations this is already happening because, as I explained, they are allocated to different areas of the business and each one has her responsibility and report me all issues.

4) Do you have a plan for succession process for the next generation? For example, the influence in the choice of the academic path?

The theme of succession exists, the plan is defined and is discussed between us. However, I don't think too much of it, it is assured, and I count on them for it.

Also, I never indicated what they should study or what they had to do, at some point of their lives, I thought it would be appropriate to invite them to join the project, but of course, if they won't, I would prepare the company to sell it four or five years from now.

5) There is the idea that the Family Business must be profitable to provide comfort to the future generations. Ever had the idea that you were building a legacy for the next generation?

I never forced my daughters to join the company. However, sometimes, the age does not allow us to take a good or bad decision, it is just a decision, influenced by factors that the age can't predict. Instead, they always enjoyed working here and regard this as their own project.

I believe that each one can only do well what he really likes, otherwise it's difficult to succeed. Is simple as that, I proposed them to work with me here in the company, they accepted and then

we grab the project from another perspective, to grow and ensure the comfort of the next generations.

I am not afraid of losing family values, I'm sure that they do what they love to do and, therefore, they will transmit those values.

6) Your daughters already work in the company and through their different backgrounds, they contribute with changes and improvements to the business operations. How do you think employees perceive these changes driven by the next generation?

No, what they bring new does not scare me, on contrary, if they have the humility to perceive the culture of the others and why it is so and not change just because. I consider that bring together the experiences of different ages is enriching, because we can add value to business joining the experience of who is here to the knowledge of those who come.

Here we have a very young team because we believe in the importance of developing the young talent.

7) Family Business are guardians of values and of a family culture that grant a unique characteristic to the business. How do you see the future with the next generation in the company?

On basis of my experience there are no big problems and small problems, which is a big problem for one person may not be a big problem for another. In this case, they benefit from the fact that they are three with different backgrounds.

Furthermore, I think that they are acquiring sufficient *kwon-how* to reduce the difficulties of adaptation.

APPENDIX 6- Successor Interview

1) Can you describe your Family Business and the family members who are involved in it?

The company is constituted by my parents, me and my sisters. My parents are the founders, my mother has always been much more connected to the financial area and my father is professional mechanic, extremely creative person and with a very deep technical knowledge, that allows him to know a lot about the product and the market demands, contributing itself for business expansion.

So, he started by doing the service himself and my mother assisted in the administrative and procurement areas, for example, she was going to buy the parts and components he needed.

Currently, my father continues to manage the projects of the company and is the person who continues to have the required characteristics to contribute greatly to innovation and development to the commercial and production parts. My mother continues responsible for financial part, bank issues and other entities that involve business

In this regard, we are three daughters, me (Joana) in Management and Human Resources, Inês in the Business Internalization and Marketing and Filipa, industrial engineer, that manages whole production and supply areas.

2) In your own opinion what distinguishes your company, as a Family Business, from a non-family business?

The company is a family long before being family, it means, we are running into an intense activity and most collaborators are with us since the first day. Furthermore, as the company was growing we always had a very stable and committed, which is constantly reinforced with young people, because we value highly the intergenerational contact.

Therefore, this is a family business in several ways, where people create straight relations in the positive sense.

Is undoubtedly, the leader is my father and the business are driven by people who have an absolute passion for it. Naturally, over the course of 30 years, naturally, he has grown with the people and people also with him building a team that made the business evolve accordingly while family.

3) From your point of view, how will occur the transition from your generation to next?

When we see the employees as family, we are responsible not only for them but for their families and this is a huge responsibility for us. Therefore, I try to organize my time in order to be able to lead the company with an emphasis on employees, but I know there's only one way to do it, is go through it. Having in mind the responsibility to save our culture, we are doing our best.

What frightens us, also motivates us. We were the three educated like that and aware that everything is a path. Our business is already stable, and now we have two great obligations, to keep it and to improve it to ensure the comfort of the next generations.

4) When did you start your professional activity in your Family Business?

a. Why? What led you to join the family business?

I want to start to clarify that we were never forced to join the business, we always worked here during the summer holidays just for practical matter, sometimes doing whatever it was to do, for example in the administrative support or in the factory. In this way, for an obvious question of our character we chose a different area.

In my case, I asked my father what he thought I should follow, and he asked me to reflect about which subjects I liked most, then, I answered, and he advised me to analyze the inside the existing courses, which are the ones that fit the best in these areas, because the most important thing for him, is to do what we really like.

That's how we all chose our areas, we went to the areas which we felt more affinity and when we finished the courses, each one did a curricular internship outside the company and later, in a natural way, we ended up joining the family business. For example, in the case of Inês, she developed her master thesis here and she felt the need to continue to stimulate the Marketing

area, in contrast, Filipa worked in another company for some years and felt by herself the need to come here. It means, each of us, had your timing, nothing was defined *a priori*.

I felt a high commitment because I grew up here, but nothing was imposed on me.

5) There is any plan for succession process? For example, the influence in choosing your academic path?

a. If so, did you know about the formal existence of this plan for succession process?

We have a few meetings about it and we have a medium-term informal plan. Although, we already have some areas under our responsibility, we are trying to run between areas, which means, our medium-term plan consists in, when it is possible, switch between us to understand all the areas, leave our comfort zone and promote a greater knowledge of the business.

In this way, I believe that, in the future, we will assume different valences, different places of leadership within the business and, naturally, distinct types of decision making. However, we realize all this process as a team, otherwise, we will not be able to manage the business in a common way.

We can define our goals and establish our priorities and thus, we are able to define our medium-term plan and absorb the maximum knowledge with the current generation, not only *know how* to do, know how to be and how to act.

6) Any individual goals changed in favor of the succession process?

At the age of 18, I didn't know what I wanted to do, but now, I know what I want to do to and how I get there. I never felt that I gave up of anything do to what I am doing, I am working in the area that I want, furthermore, I am convinced about the importance of knowing about other areas of the business to better perform mine, because to manage people is important to know their everyday life difficulties.

In addition, I have no doubts that, at the same time, I want to maintain this academic part in my life, since it gives access to another important reality to our business, such as partnerships with universities or technology centers that allows us to go further.

As I referred before, what I want is this, be a key element for business management since we are three complementary. Therefore, we attend some formations that we consider important to

the future and learn as much as we can in order to develop a genuine team of leadership in the future.

7) How do you consider that the employees perceived the eventual changes generated by the arrival of the new generation to the business?

I hope we are in the right track, that is, the employees know that we (daughters) are here to ensure the continuity of the business. Of course, in this stage we don't want to replace anyone, on contrary, we should acquire the necessary tools to put in practice the knowledge we have learned

8) Family Business are guardians of values and of a family culture that grant a unique characteristic to the business. Does this motivate you as a successor or make you apprehensive in your decisions?

I feel that I had to learn to work with him. I had the autonomy and freedom to do some changes, since I already implemented and created new approaches to business, although, it only happened when I learned to work with.

In our specific case, we have a strong communication between the family elements which helped me in initial the initial phase of adaptation and allowed me to gain autonomy and responsibility gradually.

Everything was a process, I accompanied the key people of the business from different areas which allowed me to acquire a very structural knowledge, I learned with them, and I also felt that they learned with me and this is a strong contribute for succession acceptance process.

There are always difficulties and some resistance but is essential to know that the succession is a process with various stages and to focus on the main goal.

9) Several authors affirm that the succession process consists of a set of chronologically dispersed activities, highlighting four: the choice and preparation of the successor; the development of a post-succession strategic plan; the definition of the role of the predecessor throughout the process and the communication of the decision. Can you describe, in 5 steps, the succession process of your Family Business?

I believe that the first step is to define what we want, the second step is to know what each one can do to get there, analyze the individual and the group to develop these four competences within the different areas of the business and even in the areas that are out of our comfort zone, always with focus on knowing the all issues related with the business and people involved.

Also, I believe that my father will be always involved in the business and we will continue to count with him in the decision-making process. Of course, he will have less time, but we are being prepared to deal with it and assume the leadership.