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Case Study: Determinants for Choosing a Successor on a Family Business

By

Gabriel Alexandre Tuna Canelas

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Supervised by:

Professor Rui Couto Viana

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Biographical Note

Gabriel Alexandre Tuna Canelas was born in Zurich, Switzerland, in April 1993. Graduated in Economics by the Faculty of Economics of Porto (FEP) in June 2015. Started in September, the same year, the Master in Management at the same University as he graduated.

Did a professional internship at Sogrape Vinhos, S.A., in planning and management control, which concluded in August 2017. In September 2017, started working at Deloitte working as a consultant analyst.

Abstract

The thesis aims to understand if the manager of a family business, who runs a company on the first stages of development and is addressing the succession process, takes in account the determinants, covered on the literature review, when choosing a successor.

The reason for this thesis resides on companies, which are profitable and are on the first stages of development, that have an open incognita over their future, being that future set on the next generation which may leverage the company to a new stage of development. The purpose is then to know if the interviewed companies take in consideration the determinants covered by the literature.

On the literature review there were selected some of the determinants taking in account the decision making process of the manager on a family business. The object of study are managers of companies which placed on the first stages of development, working as a proxy to a Small and Medium Enterprise. To gather the necessary information, there were conducted semi-structured interviews to enable the understanding of a broad topic as succession. The survey was disregarded due to the complexity over the subject, time constrains and difficulty in targeting the necessary number of companies to withdraw robust conclusions.

The older son is the chosen successor having aligned their academic education with the branch of activity of the company, feeling a sense of duty to the family. A specific academic background was regarded as mandatory as well as the experience in other companies on the same branch. On all cases the successors were not interested on succeeding their father, therefore the managers were adapting the company to better fir the desire of the successor.

JEL Codes: L29; M19; M59

Keywords: Succession, Family Business, Transition Process, SME, Life Stages, Succession Determinants

Resumo

Esta tese tem como objetivo perceber se o gestor da empresa familiar, que esta nos primeiros estágios de desenvolvimento da empresa e está a endereçar o processo de sucessão, leva em consideração os determinantes, cobertos na revisão da literatura, quando é feita a escolha do sucessor.

A razão da tese reside em empresas, que sejam lucrativas e que estejam nos primeiros estágios de vida, que tenham o futuro em aberto, estando esse futuro na próxima geração que poderá vir a alavancar a empresas para um novo estágio de desenvolvimento. O propósito é então perceber se os determinantes que levam à escolha do sucessor nas empresas entrevistadas são os mesmos endereçados na literatura.

Na revisão de literatura foram selecionados determinantes que são tomados em consideração pelo gestor nas empresas familiares. O objeto de estudo são empresas que se encontravam nos primeiros estágios de vida da empresa por serem uma melhor aproximação a Pequenas e Médias Empresas. Para a recolha de informação, foram realizadas entrevistas semiestruturadas com vista a entender um tópico tão abrangente como é o da sucessão. O inquérito não foi considerado devido à complexidade do tema, limitação face ao tempo disponível e a dificuldade em conseguir obter respostas de um numero de empresas suficientes para retirar conclusões robustas.

A escolha recai sobre o filho mais velho, tendo alinhado a sua formação académica com o setor de atividade da empresa, havendo um sentido de responsabilidade para com a família. A formação especifica numa área é tida como obrigatória, assim como experiencia em companhias do mesmo ramo de atividade. Todos os gestores reconheceram a falta de interesse do sucessor, e estavam a tentar adaptar a empresa ao desejo dos filhos.

JEL Codes: L29; M19; M59

Palavras-chave: Sucessão, Empresa Familiar, Processo de Transição, PME, Estágios de Vida, Determinantes da Sucessão

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Abbreviations

APEF – *Associação Portuguesa das Empresas Familiares*

CEO – Chief Executive Officer

CFO – Chief Financial Officer

EG. – Example

FEP – *Faculdade Economia do Porto*

GDP – Gross Domestic Product

SME – Small and Medium Enterprise

I. Introduction

The defining moment of succession sets as one of the major moments for a family business to test its endurance and flexibility capacity to a change in management, especially when the position we meant is the one which holds the responsibility of leading the entirely company. A change in who is the responsible for the decision making of the company in the future relies on the current manager of the company.

The thesis aims at understanding in the manager opinion what are the determinants for choosing a person in particular to succeed him. The manager who is aware of the needs of the company is the best person to hold the power of choosing his own successor, such power is easier for a manager to have, in case he also has the control over the company. The particularity of the thesis is then to narrow the analysis within the family business scope. The complexity increases since the company, besides the wide number of stakeholders that has to address, has the interference of family.

The vast majority of the companies throughout the country, as well as worldwide, are family businesses. Reinforcing the importance of the study, in Portugal, family firms are particularly young, being 50,51% on the first or 31,31% on the second generation, and therefore did not yet had the need to seriously engage on the transition topic. A growing number of successful family businesses in Portugal are coming to that same defining moment, the lack of references from other companies to aid the CEOs of the firms, are an obstacle surrounding the process (Familiares, 2010a). {Familiares, 2010 #62}

To mention, there is the opportunity to test some of the extensive scientific studies conducted on successions in family business. Most of the studies done were concerning the process of succession and how it should be conducted or the difference in firm's performance between those whose manager got replace by a family member and an external agent.

The succession presents itself as a problem to overcome by the company, due to the passage of time, the renewal to a new generation is inevitable and the transition tends to gain importance as the company grows in size. The growth puts an emphasis over the person who will lead the company in the future to assess if in fact the person is capable of performing at the desired level. The owner and manager have then an obligation of correctly choose the successor.

The case studies analysed consist on family businesses which are addressing the succession of the business and are on the first stages of development. The manager addresses the succession if in fact the business is worth to pass to the successor, on this case, it needs to be profitable to support the next generation. Moreover, only when a manager is addressing the succession will he think more carefully on what are the determinants for the choice of the successor.

On the first chapter, after defining Family Business, it is addressed the characteristic of a family business as well as the importance of family firms worldwide and more specifically in Portugal. Secondly, the literature review over succession, started by defining family business, overviewing then the major family stakeholders on succession. There were specified the factors which lead the company to a successful transition and then the determinants when choosing the successor. Thirdly, an analysis over the literature of Life Stages of companies is conducted to place the companies on a life stage.

On the second chapter, the Methodology focus firstly on the arguments supporting the choice over a qualitative analysis of the problem, and a literature review supporting the validity of conclusions withdrawn from a semi-structured interview.

The third chapter concerns the analysis over the interviews first doing an overview over the company and the family's chart, followed by the placement of the company on one stage of its development. Afterwards the literature contributions concerning the determinants for the succession were explained. The determinants were then observed to know if the manager took them in account when choosing the successor.

II. Literature Review

The literature review is structured to properly introduce the concept as they are analysed throughout the interview analysis. Firstly, there is a definition of family business, which the companies interviewed need to be align with, secondly, there is a synthesis on the characteristics of a family business, followed by an assessment on the weight of the family business both worldwide and on Portugal.

Afterwards there is the literature on succession analysing first the family management of a company, followed by addressing the stakeholders directly influenced by the business transition on a family business. As an analysis over the positive influencers of the succession on the enterprise, emphasizing the importance of a strategic approach on a company. Lastly, there are an analysis over the determinants covered by the literature.

The last subchapter there is an introduction on life stages of a company that sets the basis for the placement of the interviewed companies on a given stage. After the definition, there is an overview over some of the existing theories of the Life Stages, to finally aggregate on a matrix to assess the companies to be studied.

1. Family Business Review

Social organization in anthropology arises a norm so that concerns under the sphere of influence of the family are dealt by the family itself and so deciding their course of action (Fortes, 1970, p. 305). A family firm is therefore seen as a family oriented occupation and focused primarily on the support of their own relatives, the logical assumption is that family businesses are considered to belong to the category of Small and Medium Enterprises and the normal attitude is to overlook these companies.

Although, worldwide the weight of family firms its around 65 to 80 percent, when assessing the Standard & Poor's 500 firms between 1992 and 1999, 35% of the companies were family enterprises (Anderson and Reeb, 2003; Faccio & Lang, 2002). The ratio of family firms in Europe is believed to be of about 66% of all the European companies, moreover, it accounts for 40% to 50% of the jobs holders (Flören, 2010). The vast majority of companies worldwide are controlled either by the founders or the descendants, regardless if they are privately or publicly owned.

1.1. Definitions

Family control and ownership can be a distinctive feature influencing a company in a way a professionalized company is not, giving the goal of a family for shaping it according with their values (Chua, et al. 1999). Though being "*family*" a hard concept to define, the definition of family business is not the same throughout the literature (Astrachan, et la., 2002).

As an example, family business can be defined as: "*A business is a family business when it is an enterprise growing out of the family's needs, built on the family's abilities, worked by its hands and minds, and guided by its moral and spiritual values; when it is sustained by the family's commitment, and passed down to its sons and daughters as a legacy as precious as the family's name*" (Astrachan et al., 2002, p. 46).

A second definition is provided by the Portuguese Family Business – "*Associação Portuguesa das Empresas Familiares*"- supporting itself more over the functional approach of a family business, "*A company is a family business if its ownership is wholly or substantially in the hand of one or more families, and the family has control over the management of the company*." (Familiares, 2010b).

A third definition: "*The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family and families"* (Chua et al., 1999, p. 25).

The first definition delivers a more ambiguous and abstract conception, non the less, emphasizes the moment for the succeeding generation to take the control of the company, referred as a family's legacy.

The second definition enhances the family control of the company as a necessity and the rest of the family involvement for it to be considered a Family Business. Although it still lags towards the first definition not considering the generational transition of the company and the consequent burden or responsibility, enhanced as the "*legacy*" transferred from the incumbent to the successor, being the last, a family relative.

The importance of the transition and control is addressed in the third definition, as the first does, though it enhances the family ownership.

The control and ownership makes it effortless for the family to frame the firm's strategy aligned with their vision since the time needed for that objective to be achieved under their governance is easier to be spared if they have the control over the company, by either the founders or the descendant successors. In addition, the option for that control to be kept throughout time provided their power of decision towards the company's policies for being the owners.

The third definition is therefore the one that encompasses the broad topics directly dealt by this thesis.

Authors agree on the importance of the topics related with control, ownership and transition for differentiating a family business from a non-family firm. While some of the authors reflect on defining it on a broad and theoretical way (Chua et al., 1999; Dyer, 1994), as the definitions above demonstrate. Some other authors decided to define it under a more objective scope and to better access if a company is in fact a family business, they needed to obey to the following characteristics (Astrachan & Kolenko, 1994):

- The family owns more than 50% of the company;

- More than one family relative works on the company or the founders as already appointed the second generation for the family control;
- The company has ten or more employees;
- The annual volume of sales is superior to two million dollars;
- The company has at least more than ten years of existence.

The main objective to retain from the criteria above is that firm sets as a property of the family, having the control over the decision process. Their role on the firm is different from any other stakeholders, since they are representatives of the company.

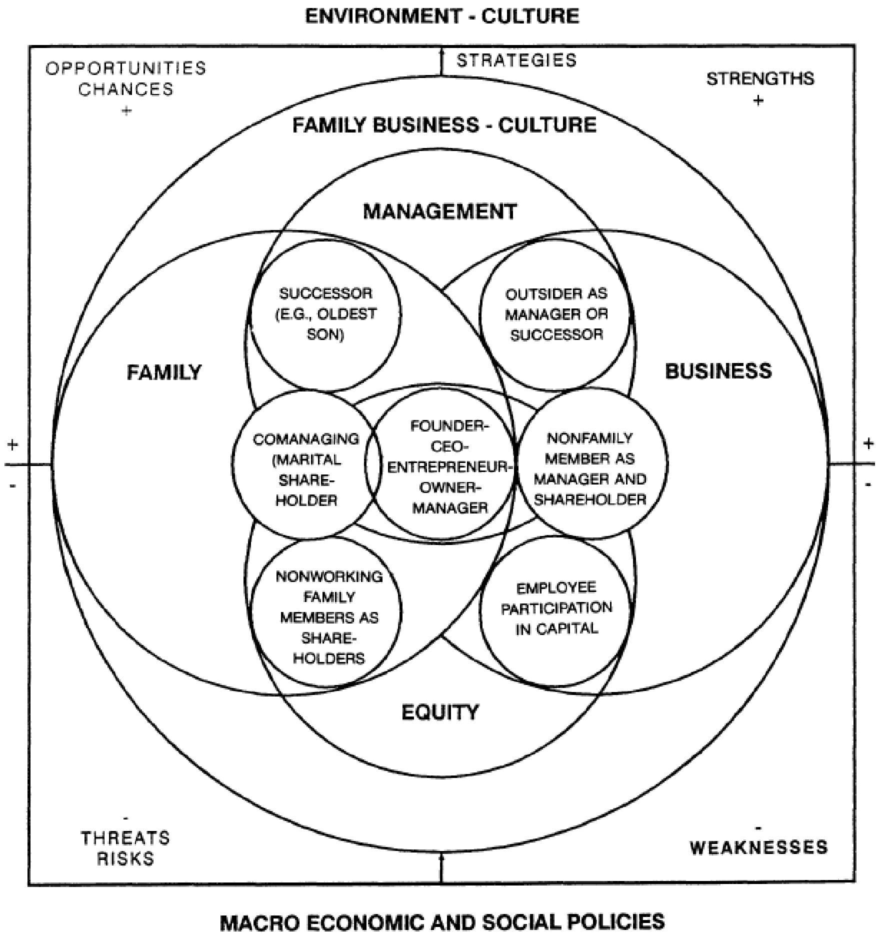
Providing the economic landscape of Portugal, we are going to disregard the fourth point considering the annual volume of sales, though the other criteria will be relevant providing the basis to validate the companies as to classify if they are a family business.

1.2. Characteristics of Family Businesses

In this case, the definitions are an extension over the characteristics of the family business, arising most of them from the difficulty of managing family and corporate relationships when owning or managing a business (Tagiuri & Davis, 1992).

A company faces internal dilemmas, adding to this we have all the unpredictability of the market or sector they are operating. Family is presented when dealing with the challenges, either by being crucial employees, part of the board advisors or shareholders. The holistic model of family businesses and their environment can explain the conflict of interest taking place in the company (Ussman, 1996).

Figure 1: Holistic Model of Family Businesses and Their Environment



Source: (Donckels and Fröhlich,1991; Andrea, et al.,2008)

The family oriented reasoning of family member assumes that the identity of the family depends on the company and perceives it as a heritage and his primary financial security. The employees who have their careers dependant on the company emphasizes the need for the company to generate profits and grow. The shareholders are focus rather on the profits seeing the company only as an investment (Ussman, 1996).

The expectancy for the firm to successfully manage the goals of the different stakeholders would appeal for it to be profit oriented, though it carries a strong emotional connection (Davis & Stern, 1988), providing the possible family conflicts, that can be both corporate or familiar related (Levinson, 1971).

The proper management of expectations from the stakeholders is common to all firms; the only different factor is the family ties being drawn to the company and, according to Holland et all. (1984), it poses as a possible reason that can lead the family business to a better or worse financial performance (Olson et al., 2003; Ussman, 1996).

The characteristics dealing with family relations and the passage of the family's identity to the company are the characteristics analysed on Table 1, taking in account their relevance for the studied topic.

Table 1: Characteristics of Family Firms

Characteristic	
Founder Dependency	Company is an extension of the founders Vision, experience and knowledge, being the banner for the company to grow. Vision is kept throughout the years and generations valuing it as tradition (Levinson, 1971; Ussman, 1996).
Descendants	Pressure for their professional orientation to be aligned with the company's needs, and so for the descendants to follow the strategic vision of their predecessor (Ussman, 1996).
Conflict of Interests	Generational conflicts related with ownership, leadership or birth right in having a certain part to play on the firm (Levinson, 1971).
Partisanship	Family engagement is complete, creating barriers for family members to find occupations elsewhere and for new entrants to assume relevant management positions, creating a sense of commodity and responsibility for the family relatives depending on the level of elaborated institutional restrictions (Donnelley, 1964; Ussman, 1996).
Family Identity	The importance of the family name leading for a change from a rational in favour of an emotional reasoning, the link the family's reputation can then be beneficial (as an example, the assurance in loans) and maleficent in case the prospects of profits are remote (Donnelley, 1964; Ussman, 1996).

Long Term Oriented	Strategy is seen as a "legacy" and preferable actions lay on long-term profits rather than immediate results (Donnelley, 1964; McCann, et al., 2001).
Conservative	The "*Modus Operandi*" once successful is the right one to follow, an attempt to change it meets a strong opposition, reflecting on a slow adjustment to the market enabling it to adopt to market developments or seizing opportunities (Donnelley, 1964).
Loyalty	Leading to a dedication of the core management group of the family and the employees, being reflected on a lower turnover, particularly important to Small Firms considering the time and expenses incurred to train employees (Donnelley, 1964; Schulze, et al., 2001).
Ownership	New entrants by acquiring or selling part of the company are not seen as a viable way for founding. A public offer in the stock market requires also a higher level of information release, contradicting the conservative characteristic of the family business (Schulze et al., 2001; Ussman, 2004).

Qualitative characteristics appear throughout the time existence of the company being able to validate the definition on the previous subchapter, and are needed for the family to keep the ownership and the voting control over the company as well as the family involvement to so possess the characteristics above mentioned. The third demand would rely on the generational transition not to be solely a "one person" project as to keep the essence of long-term oriented strategy, but to be a coordinated process to better meet the expectation of the stakeholders.

1.3. Family Business in Numbers

The contribution of family firms to a country's economy is normally sizable, consisting on over 50% of the companies present in the country. When accessing the major owner of the withstanding shares of a publicly traded firm, 30% of those companies were family owned in a pool of 36% of widely held companies (Porta, et al., 1999).

As seen on Table 2, family firms' wide presence on the market is reflected on their contribution to the economies where they are operating.

Table 2: Weight of Family Firms Worldwide

Country	Relative Share (%)	Percent of GDP (%)
Austria	83,2	-
Belgium	69	55
Germany	82	55
Finland	63,2	-
France	60,5	-
United Kingdom	67,3	-
Netherlands	51,7	54
Switzerland	67,2	-
United States of America	92	40
Italy	75-95	-
Spain	70-80	65
Sweden	90-95	-
Poland	50-80	35
Brazil	80	65

Source: Donckels & Fröhlich (1991); Geoffrey et al. (2008); Neubauer & Lank (2016); Shanker & Astrachan (1996); Ussman (2004)

Portugal follows the same path as the examples above provided, during the same period, 70% of the Portuguese companies were family firms and totalizing 60% of the Portuguese Gross Domestic Product (Geoffrey et al., 2008).

1.3.1. Dimension

Although most of the family businesses are thought to be Small and Medium Enterprises, there are several big conglomerates such as Wal-Mart in the United States of America or Grupo SONAE and Amorim in Portugal (NEVES, 2001).

The inferred conclusion is partly correct since the growth on size of the company reflects on the decrease of the weight of family firms on the segment, as showed on table3.

Table 3: Weight of Family Businesses Among All Businesses by Size Class

Number of Employees	Relative Share (%)
1-9	77.4
10-19	69.2
20-49	67.8
50-99	51,6
Over 100	50,8

Source: Donckels & Fröhlich (1991)

Following one of the characteristics, previously presented the family firms are reluctant to accept external founding if it consists on acquiring shares of the company. Being the objective of the family to keep the ownership of the company, it can possible be an obstruction to the company´s rapidly growth (Schulze et al., 2001).

Being the family firms potentially less profitable, they are not able to reach a considerable scope. However, the same reasoning supports the idea that such an underlying logic can be a factor for the enterprise to grow and prosper. Since the managers are deeply connected with the company, being themselves the major shareholders on most of the times (Familiares, 2010a), they are less willing to adopt potentially riskier strategies which have a higher probability of jeopardizing the company. The choice than relies on lower risk strategies bearing a possibly lower return on capital, though, increasing the chances of a higher net present value from the profits of the investment decision (Ussman, 2004).

1.3.2. Portuguese Landscape

According to APEF (*Associação Portuguesa das Empresas Familiares*) the majority of the Portuguese family firms are located on the north and coastal regions of Portugal, represented more on the service sector (36%), followed by the commercial sector (28%) and industrial sector (23%). The ownership of the company is either retained as a whole by the family (86%) or then more than 51% (7%) (Familiares, 2010a).

The family owning the company is reluctant to the entrance of new shareholders, such an approach is more common in countries where the minority shareholders are less protected by state of law, which is the case of Portugal (Porta, et la., 1998), emphasizing then the fear of the families losing their influence over the company, when selling their shares to external shareholders. Since downsizing the percentage of the ownership will affect their voting power, it is expected from them to retain the ownership as time permits it, to efficiently keep the control of the company.

In Portugal, 10% of the large public traded firms were widely held; being 45% owned by the family, in the case of the Medium sized companies, 50% were family owned. The families own 38% of the market value of the top 20 firms of the country and in 44% of the cases, if the family controls the company than manages it as well. To emphasize the power of the family companies, it is to note that is Portugal, in 56% of the family owned businesses, are the only shareholder (Porta et al., 1999).

1.4. Conclusion

A change in a company, with a sizable cash flow as some big family businesses in Portugal and worldwide, affects various stakeholders, their employees' poses as the most direct one. Considering the family firm's employment and GDP weight in a country's panorama, any shift on their procedure that could change the company's performance draws the attention of market and public.

Therefore, is natural for the spotlight to be set on not only the firm decision though also on the family itself.

2. Family Management and Succession

Succession is an event that affects every enterprise, the reasons for such are various, the incumbent, being the member of the family serving as the company CEO who transfers the position to another person (De Massis, et al., 2016), resigns, retires or dies, or it can be required for the company to change. In the other cases, such as firing or relocation, the company can take some action over the decision making process (Gephart, 1978).

A company addresses the problem of succession when it ages and reaches a dimension when the concern over the succession is important for the survival of a company that has now more stakeholders to address. The same happens when a company does the mistake of not planning a succession and when the problem arises and they are faced with a difficult transition, they take precautions for it not to happen again on future generational transitions (Handler, 1994).

Despite all, the succession in a company is a certainty; therefore, it could be controlled by anticipating it.

2.1. Definition

Succession Planning is how "*an organization identifies and develops strategies aimed at reducing or eliminating existing or anticipated human capita gaps*" (Crumpacker & Crumpacker, 2007, p. 1).

Succession planning when applied to family business generates a formal process which easies the management control transfers from the incumbent to the successor (Sharma, et al., 2003).

2.2. Family Management

Concerning the moment of deciding whom to be the successor. The professionalization of the company is always an option, that same moment can define the end of the family business in what control is concerned, though the ownership can be kept (Handler, 1990). The optimal choice could be for the management to be kept on the family, provided the better financial performance of a family managed company when compared to a professional managed company (Anderson & Reeb, 2003). Despite it, there is the possibility of withdrawing the family factor, which encompass an emotion to an environment which appeals for a rational behaviour with a professionalized management (Barnes & Hershon, 1976) as well as removing an adversity to expand internationally the business as are the family business (Harris, et al., 1994). As on De Massis et al. (2016) the higher the ownership duration, and the higher perceived positive firm performance, less likely it is for the founder to engage in a family succession process.

The dichotomy of choosing between a professionalized management and family managed rely on the objective of choosing the best for the company. The priorities rely on long-term financial performance and an effective management team to meet these objectives. Proof of this is the willingness of innovative family business on favouring the career developments of non-family members over family members (McCann et al., 2001).

The long run thinking is one of the characteristics of the family business, being the company the support of the family. For such the company needs to assure the prosperity of the business for the future and being the life spam of a family business 24 years in medium, than it must be assured the survival through the succession process as possibly a transgenerational succession as well to survive through the first generation (Anderson & Reeb, 2003; Daspit, et al., 2016; Handler & Kram, 1988).

The process tends to be neglected (McCann et al., 2001; Sharma, et al., 2000), despite the concerns over it. On the annual survey on family business, the primary concerns were on the implementing intergeneration communication, family control of the company and to instruct the successor (KPMG, 2016). Although in 2016, 43% of the family firms did not possess a succession plan and only 15% had a broad sketch of their action plan of the succession on the company (PWC, 2016).

In a survey conducted to American Companies, 56% of the companies will be dealing with the retirement of their CEO in the next 10 years, and only 40 % of the enquiries had already chosen a successor (Galvin, et al., 2007). The pressure over the decision is important not only for the survival of the company, though also important for the national economy, given the number of family firms in the economy (Flören, 2010).

There is general lack of planning for a succession process, despite the recognition of the same people who ignore it, of the importance to plan the transition for the next generation. A reaction approach to the problem would be to avoid a possible a threat, as a succession. As so, the best practice would be to prepare the succession between a professional or a family managed transition process, being the responsibility of the manager to decide.

2.3. Stakeholders

A decision as a transition holds in regard to wide number of stakeholders, who directly or indirectly have an interest on the transition process and the successor choice. The reasons for choosing a successor depend on the CEO of the company, having him the sole power in case the holds the control of the company as well. Despite that, there are agents who are influenced and influence the manager. On this case, we are going to analysed the primary stakeholders on how they regard the succession, putting an emphasis over the manager and owner of the company. Despite the primary agent being the founder, we are going to revise the successor, and the family being the possible influencers in the process.

2.3.1. Founder

The vast majority of the literature studies the holder of the company, such dependence of the company over the founder is reciprocate, being on most cases the owner of the company (Rubenson & Gupta, 1996), holding the founder constrains towards the succession and the succession planning. In (Lansberg, 1988), the reasons could be related with the reluctance on ceasing to control the company, by increasing the dependency of the company towards him by taking in responsibilities that could be delegated to lower management levels.

The negative effect of seeing his role on his community compromised with the loss of his defining positioning on the company (Lansberg, 1988) is a sight of deviation from what are the best interests of the company (Barnes & Hershon, 1976; Peiser & Wooten, 1983).

Opposing the notion is De Massis et al. (2016) who defends incumbents (patriarchs of a family business) have a positive attitude towards succession planning on certain scenarios. The higher the number of children, the more children he has the more responsible he feels to accommodate jobs in the firm for his children to maintain their living standards. Founder's emotional attachment to the firm increases his responsibility to leave the business in the proper hands, being such a position better suited for a family member. Despite such reasons, he is negatively influenced to engage in a succession process: by the number of family shareholders, high ownership duration, and the higher perceived positive firm performance.

Concerning Handler and Kram (1988), the focus resides on the resistance to change, addressing on the individual level, the founder perspective, is positively influenced by his bad health, though negatively by his perception of the company independence towards him, having delegated responsibility to other management layers.

Long-term critical self-analysis leading to an anticipation of the transition of power, openness and initiative on seeking specialized advice increases the acceptance and delivering the desire of a successful transition. On an interpersonal level, the avoidance of honest communication inside the company and family, concerning the subject and the timing of the heir's engagement, compromises the heir. It was not provided time for him to adjust to the demands as well as to the system to absorb the successor, being the primary objective to pair the retirement of the founder with the readiness of the successor (Lansberg, 1988).

As found in Peay and Dyer (1989), the probability of an entrepreneur preparing a succession planning is as higher as more oriented the leader is in making choices which will benefit the others. On the other hand, if the incumbent takes pleasure of its position as a leader, for the opportunity of influencing and controlling with power invested on him, the less likely it is for him to initiate and plan the succession process.

Levinson (1971) undermines the feeling of the leaders towards the company as being their symbol of authority over the figures who controlled them (usually their father), assessing their employees as instruments and holding the company as their legacy. Rivalry feeling over the possibility of the power being taken by someone of the company can lead to a defensive behaviour to mitigate such threat.

De Massis, et al. (2008) also address the unwillingness of the incumbents in resigning his obligation throughout time and to assure the integration of the potential successor allowing him/her with enough time to adapt and not long enough for the successor to look for opportunities outside the company. Incumbent's premature death reinforces the need for planning and to alignment the criteria between the competences of the successor and the business needs.

According to Sharma et al. (2003) the incumbents are inclined towards the hypotheses of management of the business being kept on the family in case a member of the family shows enough potential. The same transition over management needs to be agreed by the manager, to so prevent a possible desire of the same coming back. In case of a worthy successor, the incumbent is proactive in planning the succession process and willing for the succession to take place within the family scope.

Wasserman (2003) focus on succession in smaller firms, noting that a skilful and successful entrepreneur is normally replaced soon after overcoming a tremendous challenge the company was facing and demanded his competences to solve it, and so the needs evolver faster than the CEO competences. On an early stage company, the founder possesses technical competences aiming at product development, when priorities shift for marketing and commercial activities; the founder's competences mismatch the demands. In the same line, raising new capital, on a company's early stage, or equity control on a later stage, can have a similar effect, lack of trust on the CEO and the strength of investors, can lead to a replacement of the founder.

Barnes and Hershon (1976) transitions in family business carry a new generation to power and new objective being no longer the survival but the growth of the business. The newly orientation is perceived by different stakeholders, putting then pressure over the founder, who does not perceive the necessity for change and avoiding to address the transition topic the more pressured they are (Rubenson & Gupta, 1996).

The broad investigation is set on the unwillingness of the leader to leave and prepare the successor, though an engagement on the succession process needs to be initiated by the leader or accepted by him. There is also a need for the incumbent to create an awareness, or have someone who aids him, to recognize the flaws of his behaviour, as well as keeping the focus on the company needs rather than on his owns.

2.3.2. Successors

The second end point of the transition is the person to replace the soul of the company, encompassing the responsibilities of such a position, for so Barach, et al. (1988) enhanced the best practices for introducing the successors to gain a position of power. The normal approach relies on early entry to obtain acceptance, by behaving in accordance to the company culture and modus operandi, or by earning credibility, in introducing a disruptive work behaviour, to so achieve legitimacy over his destiny of becoming the successor and leader of the company.

Decisions concerning the succession process can be delayed until the last moment leaving little time for training. From the heir perspective about intentions for the future, in Birley (1986), the majority (58%) expected to work in the family company at some point in time, a will not imposed by their parents' pressure, feedback shared by the older son as well. Although the successor felt a duty towards the family and business provided the higher education pursued. An opposing view however is given by Sharma (2004), stating the uncertainty of the successor towards their future endeavours when compared to their peers.

Levinson (1971) refers the struggle of the successor, who demands responsibility, to overcome his father's control, who sees him as immature and unprepared, ending in a constant dispute between the two. Such a dispute is not to be emotionally based, and needs to be understood by both parts if the confrontation is helping or jeopardizing the business, if not so, a possible third party moderator might be needed.

De Massis et al. (2008) defend the integrity needed to be recognized by the stakeholders of the company to give attention to the family commitment with the successor. Identified factors such as lack of motivation, insufficient exposure, rivalries with the incumbents, mediocre feedback tend to undermine the successor prospects.

For Ip and Jacobs (2006), in case an heir does exist, the first choice is the older son, if not yet prepared, but willing to lead the business, succession is postponed, until he is or the circumstances demand it. Gender preferences tend to fall over the male rather than female, not being such a tendency due to performance differences.

Being the goal is for the new generation, if the successor desires, to not only assume the management but to be capable of taking the company to the next stage, then there is a need to account for a timely process and to start planning for a transition.

2.3.3. Family

Davis and Stern (1988) identify the problem of a family business transition from the first to the second generation normally calling for a change from an entrepreneurial to a professional management structure. The change tests the ability of the family to assimilate the change without majors constrains to so mitigate the negative effects on the scenario where the incumbent and the successor behave inadequately.

While the family can be seen as an element to balance relationships in Levinson (1971) it is appealed to the need of professional guidance who can distance himself from the family dynamics. Being the different family members so imbedded in the company behaviour, the confrontation between all the branches of the family can support a professional managed transition.

Being then the family's harmony the major objective, in Lansberg (1988) the founder's partner interference can avoid the transition to not compromise that harmony. As in Levinson (1971) the partner is mentioned has to have a preference for the older son.

Considering the intergenerational transitions, Barnes and Hershon (1976) refers that the younger generations do not undergo the same distress as companies going through a transition for the first to the second or second to third generations. Since the growth of different family branches, tend to complicate the choice. There are more back stages games of influence to seize the opportunities inside the company.

The first transition it is characterized for consisting on confrontations between father and son being a constant trade-off between authority and autonomy. The second generation has as trademark collaboration, being the third, cousins, emotionally more distant than the previous ones, turning top management very likewise to the professional managed companies (Hershon, 1975).

The interference of the family in the transition process is different on the several generational transition of the company. The intrusion is natural provided the closeness of the entire family in the business, being themselves a stakeholder with a power decision who need to aligned their preference with the company, and being possible that one of the family members needs to stand as a mediator on the transition process.

2.3.4. Employees

The employees of the company are the direct agents who are going to experience the transition and have to adapt to the new management style.

Different life stages of the company demand distinctive competences from the employees (Greiner, 1972), not aiming for their replacement though rather the growing necessity of more employees (Peiser & Wooten, 1983). The growth in size creates layers of management and distance the top management from the employees, specially the original who perceive the change in behaviour towards them. Long-term employees had an informal relationship, and need to establish a new with the upcoming generation being it generally a formal one (Lansberg, 1988).

As the new generations lead to a change in the work environment and the demand over the competences for the job, the older employees starts to perceive throughout time a loss of power and respect they used to possess. Emphasized by the development of this new employees oriented towards a proper talent management (McCann et al., 2001), creating an uncertainty over the maintenance of their jobs (Barnes & Hershon, 1976).

2.4. Environment Influence

Undoubtedly the uncontrolled variables of the business which make their environment can be both an opportunity or a threat for the transition, the holistic model by Donckels and Fröhlich (1991) refers, though does not develop to what extent it can impact the company, leaving there a gap on the theory.

Greiner (1972) based the transition between the different phases on a need of the company to change, being influenced by internal operations which were not enough to respond to the growing company's demands towards the market it was inserted on, management transition though not encompassed on the theory and can then be that change to deal with those same demands.

The answer to the problem may also turn in a weakness with agents who are placed on the wider scope of the business see their relationship as either customers, suppliers or debt holders compromised provided the shift on the firm's representative (Lansberg, 1988).

Other environmental factors such as the geographical location, remote and undesirable, narrow the possibilities of people to succeed. The industry unpredictable arisen problems on a company which does not have the ability to respond properly, a disruptive innovation on the industry or an industry that advocates for the family's ownership or management (Handler, 1990).

2.5. Factors Contributing to a Successful Transition

Each case is a case, the different studies based their theories on patterns of practices which allowed the transitions on the business to be conducted on the best matter. Besides the already mentioned need for the succession to start being address on an early stage (Peiser & Wooten, 1983), it also demands an informative and deliberate thoughtful process, rather than an operational or tactical approach for executing a plan (Gersick, et al., 1999).

As in Dyck, et al. (2002) it is defended the importance of sequence, timing, transition strategy and communication. High level of agreement and clear communication between the two agents and a long transition process raises the probability of an optimal outcome. However, the successor may assimilate alike competences and managerial skills as his predecessor and running the company by keeping the same management style may not be what the company needs.

Aligned with the sequence and different roles taken by the successor and incumbent (Handler, 1990) through the transition, being firstly the founder the operator, then monarch, followed by coordinator and finally a consultant while the successor with no role at beginning, becomes a helper following to be a director and finally a leader.

As for the thoughtful process, the time to start thinking on the transition is needed for assumptions such as: meditation to better deal with the confrontation; dialogue mechanisms either formal or informal, usually aided by third parties to mediate and to sharp the agenda. If the last two assumptions are correctly played, then the role that each stakeholder of the company and family will play in the future will be clearer throughout time (Barnes & Hershon, 1976). The manager has the knowledge of the entire company, being necessary that same good relationship to properly transmit the information to the successor (Sharma, 2004).

Confrontations between the founder and successor can lead to an abdication from the successor, although it advised different visions, although with a without a troublesome confrontation between the two (Peiser & Wooten, 1983).

Sharma et al. (2003) call for the family acceptance of their part in the company as to aid in the transition process. The new roles played by the family in the business are discovered during the transition, aiming at avoiding confrontation and prioritizing the company's needs over the family's desires (Chrisman, et al., 2009).

Another agent who can aid the transition is a consultant or a member of the board of the company, non-family related, on the role of mediator. With clear criteria over the feedback to be provided, it is demanded from the person a capacity to solve conflict, and respond to management problems and have a strategic approach towards the succession (Peiser & Wooten, 1983).

The best practices in family business transition focus on the right timing, strategies to avoid confrontation and a clear schedule. The importance of having as the primary goal the company needs as a guidance over personal and family desires is the spine of the literature review.

Table 4: Factors Contributing for a Successful Transition

	Factors
Sequence	Role adjustment of incumbent and successor as time passes; family role adjustment of the family.
Timing	Not too long incubation time to assimilate all the styles and practices of the incumbent.
Transition Strategies	Time to be acquainted with the company and different competences; third party non-family related as a mediator and supervisor of the transition; schedule stages for the transition; having as priority the company rather than the family.
Communication	Knowledge transmission; straight communication, understanding the different generational visions to the company to avoid confrontation; clear statement of the incumbents intention on the succession topic.

Source: Barnes & Hershon (1976); Dyck, et al. (2002); Handler (1990); Sharma (2004); Peiser & Wooten, 1983; Sharma, et al. (2003); Chrisman, et al. (2009)

2.6. Determinants of Succession

The last decision over who to take charge is the person who will train his own successor, such an event is even more likely on companies on the first stages of development, as intended, since on those the likelihood of the manager being the owner is higher, and as so, the sole decider of the decision.

Despite being a family business, the founder prioritizes the company over the family. Therefore, the question arises on what are the determinants for the current manager to decide who the successor is. The choice tends to be within the family (Sharma et al., 2003), easing also the family support (De Massis et al., 2016). On Levinson (1971) the decision tends to be the older son of the family, being aligned with Ip and Jacobs (2006) over the family's preference for a male successor over a female of the family.

After the first transition in a business, due to the lack of preparation of the successor, or troublesome dispute between the second-generation heirs, there is a precaution for the same problems not to happen again (Hershon, 1975).

In what competences is concerned, the manager may pursue alike competences, (Rubenson & Gupta, 1996), not excluding the possibility of the manager expecting the successor to assimilate alike managerial style being exposing him for a longer period of time to the transition process (Dyck et al., 2002). Despite all, there is a recognition for a need of a different vision to the company from the successor (Peiser & Wooten, 1983; Upton, et al., 2001), although not always recognise and taken in account by the incumbent (Barnes & Hershon, 1976).

The experience needs to have two components, internal and external instruction. Needing the successor to work in the company (Barach et al., 1988; Sharma, 2004), to demonstrate maturity, commitment to the business, respect for non-family employees, decision making abilities and show their interpersonal skills (Sharma, 2004). In addition, have experienced working on another company (Morris, et al., 1996; Trow, 1961) to validate their competences. There is a specific academic and professional background to have to be considering as a potential successor (Chrisman, et al., 1998; Morris et al., 1996).

Health condition of the incumbent can be a reason to accelerate the succession process (De Massis et al., 2008), existing the need for the successor to demonstrate the commitment to the business, particularly important in case the company is set on a remote location (Handler, 1990). That same attachment, but from the incumbent, demonstrates that his willingness to guarantee a well-done succession I as high as his attachment to the company, although it can also be an obstacle not to address it (De Massis et al., 2016).

Table 5: Determinants of succession in a Family Business

Family Related	Family pressure for a particular person; Pressure over the incumbent to choose a person in particular; Predisposition to plan a succession process the higher the number of children; The choice tends to be the older son of the manager; Willingness for the family to keep the control over the company.
Transition Experience	Predisposition to address the succession is higher in case of bad experiences in prior transitions.
Competences Instruction	The manager prefers the successor that has alike competences; Preference towards a specific academic background; Manager desires someone who can bring a new vision to the company.
Company Constrains	Necessity for the successor to move to a remote geographical location.
Incumbent Condition	The incumbent's bad health increases the necessity to account for a succession; The emotional attachment of the incumbent to the company decreases his will to plan a transition.

Source: Sharma et al. (2003); De Massis et al. (2016); Levinson (1971); Ip and Jacobs (2006); Hershon (1975); Rubenson & Gupta (1996); Dyck et al. (2002); Peiser & Wooten (1983); Upton et al. (2001); Barach et al. (1988); Sharma (2004); Morris, et al. (1961); Morris et al. (1996); Chrisman et al. (1998); De Massis et al. (2008); Handler (1990)

2.7. Conclusion

On overall, the different factors play a role on the decision of the manager; some are related with the company needs, while others come from the family pressure or the conformity bias to choose someone from the family on the first place for the sole reason of being from the family. There is a tendency for further generations to formalize the business and to start considering a professional management. Time to prepare to succession is of the most priority, to better accommodate the successor and to prepare the rest of the stakeholders of the company to the transition.

3. Life Stages

Successful transitions depend on the capacity to recognize and prepare a plan to properly apply the necessary solution when a new stage on the company is set (Cohen & Levinthal, 1990; Kazanjian, 1988).

The new stage demonstrates a stronger formalization of the company, something that tends to happen with the passage to another generation (Greiner, 1972; Hershon, 1975), being more plausible for an issue as the transition to be less structurally plan on companies on the first stages of development.

Taking in account the aim of analysing the transition on small companies, the objective is to target the companies on the first stages that have not yet dealt with a major problem as the one that sets a company on a new stage of development. As to analyse if a company is profitable enough, and on the first stages of development, has the same determinants as the ones analysed on the previous section.

Early attempts to study succession on family business determined the need for studying the development of family business. The difference between the family business and professionalized companies lay on the direct intervention of the family on the business and the overlapping generational transition on the life stages of the company (Barnes & Hershon, 1976). Proof of the family intervention is on Gersick (1997) who introduced The Three Circle Model consisting on Family, Ownership and Business, being those variables the base to expand to The Developmental Model, to so assess how did the three variables behaved over time. As in the transgenerational transition process, Peiser and Wooten (1983) enhances the conflicts of desires between the generations that can lead to a potential crisis or development to a new life stage.

It is accepted that a transition leads to a development in business. To understand if the companies interviewed are placed on the first stages we are going to overview Life Stages theories. The objective is to divide the company into stages of development not by age or generated revenues but by criteria related with internal performance and structure.

3.1. Defining Life Cycle

Life cycle is a unique configuration of variables related to organization context and structure (Hanks et al., 1993, p. 7).

Being it a cycle, it implies dependency of what preceded and the base to what proceeds it, therefore a stage is inserted on a circular reasoning being both a consequence and a reason from a previous stage. It is a consequence of the behaviour of certain variables and the cause for those variables to change in further stages, creating a stage of interdependency.

3.2. Life Stages of a Company

Provided the study, the interest resides on companies that grows organically rather than by acquisition, being the vast majority the literature review done under the same assumption (Greiner, 1972; Lewis & Churchill, 1983; Phelps et al., 2007; Quinn & Cameron, 1983; Steinmetz, 1969).

Regarding the possible different life stages of a company, the characteristics to assess them tends to differ from theory to theory, though, there is a logical three step division to be noticed on the theories studied.

Being each stage classified differently there were introduced parameters used on the states framework theory in order to allow a cross comparison between the Life Stage of a Company Theories.

3.2.1. Life Stages Division

The consensual idea is that each phase undergoes through three moments, first when its implemented, turning it into a period of steady and stable growth, second when a problem arises, and third when the system in motion demands a change, there is a phase of change, which, if well conducted, will dictate the company on a new stage (Flamholtz, 1995; Greiner, 1972; Lewis & Churchill, 1983; Steinmetz, 1969).

The successful transition to a new stage depends on the capacity of the company to recognize the problem at hand, then afterwards to discover and finally to apply the necessary solution. Once the problem is overcome the solution allows the company to enter a new development stage (Cohen & Levinthal, 1990; Kazanjian, 1988).

3.2.2. States Framework Theories

States Frame Theories defines that a company goes through several events reaching on a *Tipping Point*, due to problems relating with management, size and the environmental context of the company, or within the industry or service branch it is inserted upon. The *Tipping Point* is the defining moment when problems reach a breaking point, when a change is recognized to be needed and a plan is put in motion to see it through. The tipping point on this theory is similar to the challenge previously mentioned on Life Stages of a company that dictates the end of a stage. The Tipping Point occurs in different moments and does not have a defined set of characteristics to define them (Phelps et al., 2007). A company needs to be able to solve these problems in order for the company to survive and thrive.

In Phelps et al. (2007), regarding the states framework it is presented a set of criteria which enable the possible cross analysis of the growth stages theories.

1. **People Management**: Personnel management varies according to size of the company, starting on the approaches the leader needs to change. From the need to delegate work, given the rising number of employees; leadership change, constant and face-to-face to occasional long distance contact. The changes of leadership and employee's treatment change provided the size of the company and so does a leader practice concerning the topic (Phelps et al., 2007).
2. **Strategic Orientation**: a strategic driven behaviour and thinking is generally believed to contribute to a better performance of the company, predict and avoid the problems the company may face provided the market changes (McCann et al., 2001; Tagiuri & Davis, 1992; Upton et al., 2001). The approach towards this practice varies provided the company size: smaller firms act more spontaneous providing the market opportunities, taking in account their need for survival; with growth, companies tend to frame their options to make their decisions according to their objectives (eg. Diversification) rather than their needs (eg. survival) (Phelps et al., 2007).
3. **Formalized System**: systems formed when the company is first set starts to present inefficiencies given the challengeable environment the company faces throughout the time and growth. Rationalization of the systems starts

their formalization, concentrating efforts on a narrower area task or expertise.

4. **New Market Entry**: awareness towards the customer needs changes as the firm sets new objectives or grows in size and influence. Adaptation to new demands of the market rather for the current or new costumers or product adaptation or creation may demand a change in the business model.
5. **Obtaining Finance**: transition from self-financing when launching the business to more constrains over the pressuring agents who funded the company's growth. Risk management, business plan and inner knowledge is required to attract and correctly manage the relationships from the funding agents.
6. **Operational Improvement**: starts with the practices that leads to the task fulfilment to adoption of best practices aiming to efficiency gains and error avoidance.

For the aim of the thesis, the first addressed point of People Management was divided in two criteria being the first Manager Requirements and the second People Management. Manager Requirements refers to the demanded obligations towards the manager and the positioning he has on the business. People Management refers to the structure of the company and the treatment it exists towards the employees.

Finally, it was introduced the variable Management & Ownership to assess the state of the management and ownership towards the business, as it is the disengagement between the management and the ownership of the business throughout time.

3.2.3. Brief Explanation of Life Stage Models

In Greiner (1972), the different stages are influenced by the age and size originating different stages of evolution, characterized by a stable growth, leading then to a period of revolution, when the systems and policies, characterizing the evolution stage are changed, giving place to a new evolution stage. Depending on the growth of the industry the company is operating on, the firm can experience the stages in an either shorter, if inserted on a mature market, or longer period of time, if in a fast growing market.

The theory implies that each company grows at a steady rate and that there is no point in time when the company stagnates or goes through losses. To add, the theory does not draw any scenario where the company is not able to live through all the five stages in a sequential way. [Appendix 1]

In Lewis and Churchill (1983) the analysis is dynamic, recognizing also five stages of growth, similar to the previous model, which they based themselves upon. The theory aims to address the small and short-termed businesses, as well as creating within the stages scenarios where the companies are not able to adapt to the requirements of the stages ahead. [Appendix 2]

In Steinmetz (1969), the assumption is for the constant growth or failure of the business, once a person starts a company he/she either leads the company to reach the three stages described, or the company goes bankrupt. The theory defines three possible stages, focusing on the obligations and positioning of the manager throughout the process, being the decisive methods to create the need for change, the size in number of employees or number of products, the financial obligations due to the cost and profits structure. [Appendix 3]

The theories were assessed accordingly to the six criteria of the States Framework Theories, in each stage developed by the authors (see in Appendix 1-3). A matrix was put together, as showed on Table 4, by aggregating all the criteria description of the 3 theories present on the appendix. This table is the one to be later used to place the companies analysed on a given the stage.

Table 6: Matrix of Variables Description per Life Stage

	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Stage 1	-Entrepreneurial spirit; - Technically oriented; - Sole Manager	- Direct Supervision; - Informal Approach	- Market Reaction; - Survival;	- Set by the Manager	- Product Development; - Presence in a Niche Market	- Manager's Funds	- Follow the Market Demand	- Manager as Owner
Stage 2	- Top Management dependence due to centralized decision power	- Management Layers; - Division into Departments; - Formal Communication	- Institution Growth	- Cost centres	- Market Product Assessment	- Self- Reliance on Operational Activity Revenues - Considering Sell-Out	- Cost and/or Time efficiency Strategies; - Diseconomies of Scale	- Manager as Owner
Stage 3	- Delegation; - Distant; - Punctual communication through formalized systems	-Shared Responsibilities; - Department Independency; - Reward and Motivation Bonuses	- Consolidate Market Position	- Formalized communication Flows	- Expansion in Existing Markets; - Growth by acquisition	- Diminishing Rate of Return - New Partners in Equity	- Operational Planning	- Manager Disengagement; - Spread Ownership

	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Stage 4	- Strategic Oriented Focus; - Supervision via Formalized Communication	- Department Freedom of operation; - Stock Options as Reward	- Diversified Portfolio	- Investment Centres; - Monthly Information Flows		- Increasing Debt	- Incorporate Specialized Personnel	- Minority stock control
Stage 5	- Flexible Management; - Problem Solver	- Risk Taking Mind-set	- Consolidation	- Self-discipline - Extensive number of Formalized Processes	- Consolidation	- Control over Financial Gains	- Cost Saving Orientation	- Split between Ownership and Management

Source: Greiner (1972); Lewis & Churchill (1983); Steinmetz (1969)

Theories of life stages are an attempt of categorizing the vast information collected by the different authors. Each stage possesses different characteristics and being sequential, disclose the possibility of predicting the problems of a business. Such assumptions were criticized on the literature review (Rutherford et al., 2003; Stubbart & Smalley, 1999), enhancing the unpredictability of the processes of a company.

3.3. Conclusion

The important thing to retain is the different life stages a company can go through, emphasizing the change on the behaviour to each of the criteria assessed on the literature review. The choice to deal on one variable in a certain way does not dictate a failure because it is identifiable with an early stage of development, since each variable behaves according to the company´s needs, changing those needs as time passes and as size increases. A growth on the company is what demands a change on behaviour and reluctance to do it only jeopardizes it, since a company that grows implies an inevitable change.

The perception over the determinants in the family business can change as a company grow and develop. Analysing the life stages and how the changes take shape can more easily reinforce the determinants for the succession, if the size does not influence the incumbent's reasons on choosing a successor on a family business.

III. Methodology

The thesis confers a qualitative analysis, therefore the method for the Data Gathering needs to be aligned with the category of the analysis. Provided the different stakeholders the entity has, the incumbent, rest of the family relatives and other external entities with the direct or indirect interest over the successions choice, there is not a single factor that can affect the incumbent choice over who should succeed (Chua et al., 1999; Ussman, 1996).

Given the high number of structures operating in a social event, it is doubtful to treat it as an integrated event that once understood can be generalized to explain all the other similar events, then it needs to be treated separately to better assess the structures operating over it (Lawson, 1997). Provided the time available and the attention not to incur in an overgeneralization of the conclusions withdrawn from a possible quantitative analysis over the topic, the case studies poses as the option to choose, aligning with the small sample of three companies which is used.

On the other hand, a quantitative approach would overlook factors that can be better assessed when conducted through interviews, as an example, it would help to get a context over a response provided in an inquiry. Therefore, to better analyse the reasoning linked to a choice in particular, as to the person who the incumbent wants to succeed him, it is necessary a different approach rather than the quantitative analysis.

Finally, there is the time constrain, which inhibits the possibility for the observation by participating, or by experimenting, which demanded a superior timeframe to obtain valid conclusions (Quinn & Cameron, 1983).

The Method used were the semi-structured interviews done to the manager of the company and if provided the chance to be present the possible successor of the business. To properly justify the choice an assessment over the literature review supporting the benefit of the method is done to properly justify the choice.

There are three types of interviews, structured, semi structured, or unstructured (Manzini, 2004). Being the structured interview closer to a questionnaire and the unstructured an observation. A semi-structured interview, especially an in-person interview, provides the freedom to adapt the interviewer’s questionnaire to the situation and understanding up to a bigger extension the problem sought (Ritchie et al., 2013).

Several advantages have been stated throughout the literature as in Ritchie et al. (2013) there is a huge amount of information that is generated along the interview, the perception over the reaction to the questions, the body language and tone of voice used as a reaction and the variety of analysis that can be done.

Barriball and While (1994) point out other advantages as the reduction of substandard answers and unanswered questions when compared to the questionnaire, as the assurance that the person interviewed will not have any assistance.

The questions addressed follow a structure according to the theories and hypotheses related with the goal of the interview, though throughout the interview those questions are complemented by questions that can further develop the theme to be studied or remake the hypotheses firstly assumed. A freedom to adapt the interview allows for the interviewer to rapidly understand the extent to what a topic needs to be further developed or not (TRIVISIOS, 1987, p. 152)

In Barriball and While (1994) semi-structured enables a depth analysis to understand complex and sensible topics as well as an adequate perception over personal characteristics which can change from observation to observation. Lastly, it is possible to phrase the questions to the context of the interview for them to be rightly understood and the content of the question to be the desired one to so, if intended, establish comparisons.

For Barriball and While (1994) the engagement of the interviewer in the conversation and capacity to deliver the questions as in a fluid conversation can gain the trust of the interviewer to answer on his own opinion, and not the standardize answers that would be more sociably acceptable.

Reliable information adverts from the communication capacities of the interviewer, since an inability to stablish a connection with the interviewee, raises the barriers the veracity of the answers provided are put on question. From the interviewer is required the capacity to understand how the interviewee is going to answer accordingly (Barriball & While, 1994; Newton, 2010).

Newton (2010) and Barriball and While (1994) agree that even considering the risks of the semi-structured interview being done in-person, the advantages tend to justify the risks which can take place.

Manzini (2004) enhances the necessity for accounting for the problems above described mentioning that a careful formulation, timing and sequence of questions should be done. From interviewers there might be some behaviours that can compromise the reasoning and influence the responses of interviewees.

In Newton (2010) it is also expanded the possible constrains of the method, verifying that depending on the topic and the lack of proper introduction of the objective of the interview, especially the frame used, then ethnics, personal characteristics of the interviewer can affect the interaction between the agents.

The lack of structure on the interview can still be valid and have reliable and valid information for conclusions and comparisons, the process itself generates that information, being the quality of the structure a mere accelerator, though not a necessity for the validity of the information collected.

The methodology encounter specifications that embark the inability to support a generalization of conclusions for the studied theme, in this case, the extrapolation of determinants encountered on the interviews which are not present on the literature review. The excess of information can create noise around the relevant information to be withdraw for the determinants verification.

Relying on the opportunity to obtain an abundant amount of information, on reducing the amount of unanswered and poorly answered questions, will lead to a more robust base of information to support the thesis. Moreover, the validity of the information is not at risk, as on the contrary, being the topic of succession within the family possibly a more emotional decision over a rational one, the necessity on establishing a methodology that can aid on obtaining the most reliable and honest opinion of the interviewee is the priority.

Limitations

The time spectre available to gather and process the information makes it feasible, to analyse solely three cases in deep to understand the reasoning of the incumbent and better strength the conclusions withdrawn.

The best case scenario for the thesis was for the analysis to be done to a wider range of companies to so increase the sample leading to conclusions to be extracted from the empirical study to be more robust.

Having in mind the objective of choosing companies on the first stages of development, turns the search for eligible companies more difficult, to track and arrange the necessary interviews.

Lastly, there is the obstacle of the company and former incumbent availability in allowing an interview to be conducted, therefore the possibility of reaching the goal of interviewing a big sample drops.

Case Studies

The companies were all family firms, taking in account the criteria used on the first chapter, being more than 50% of the company owned by the family, having more than one family member working on the company, with over 10 people working on the company and the companies have more than 10 years of existence.

For the aim of the thesis, the companies needed to be either on the first or second stage of development, according to the literature review done on chapter three about the life stages of family firms.

Five companies were contacted, out of them, four replied willing to provide an interview. From the four companies, three of them had experienced past transitions, although, one was not yet addressing the succession, having been withdrawn from the analysis. The fourth company was founded 13 years ago, although, the manager has already started the succession process.

Interviews Structure

The interviews were conducted on four levels to serve the purpose of the thesis:

- Family Business Classification: Assure the company fits the characteristics of a family business according to the criteria on the definition.
- Current Stage Placement: Assess at which stage is the company according to Table 4 for each of the eight criteria.
- Succession Transition: Understand when the succession process started to be addressed.
- Choice over the Successor: Discern what are the determinants for choosing the successor.

IV. Interview Analysis

1. Company Presentation

1.1. Company X

Table 7: Overview of Company X

Foundation Year	1943
Qualifications:	
Founder	4th Grade
2nd Generation Manager	4th Grade
3rd Generation Manager	Attended, though did not graduated in Economics
Industry/Sector	Wood – Beekeeping
Number of Employees	50
Ownership Distribution	70 % current manager; 30% younger sister
Management	Manager and main shareholder of the company; Only son of the third generation of the family in the business

Chart 1: Family Structure of Company X

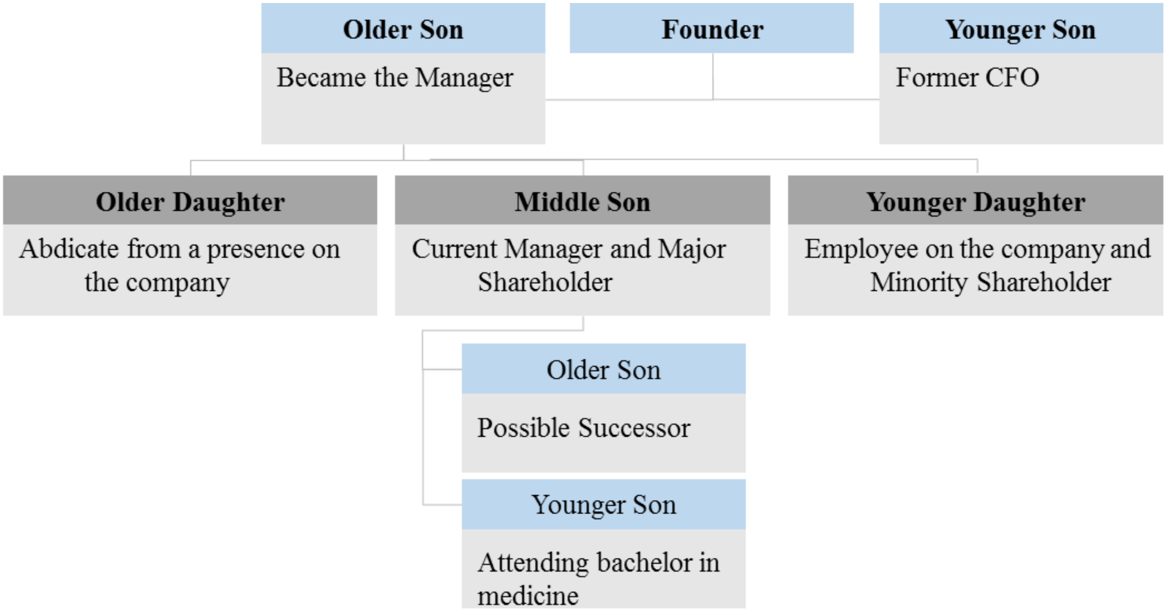


Chart 2: Organizational Structure of Company X

1.2. Company Y

Table 8: Overview of Company X

Foundation Year	2005
Qualifications:	
Founder	Master in Civil Engineering
Industry/Sector	Concrete Glass
Number of Employees	10
Ownership Distribution	100% on current manager
Management	Manager and main shareholder of the company;

Chart 3: Family Structure of Company Y

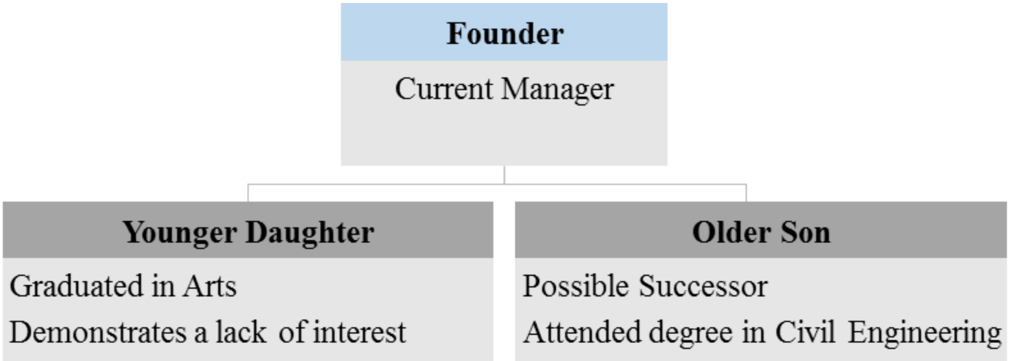
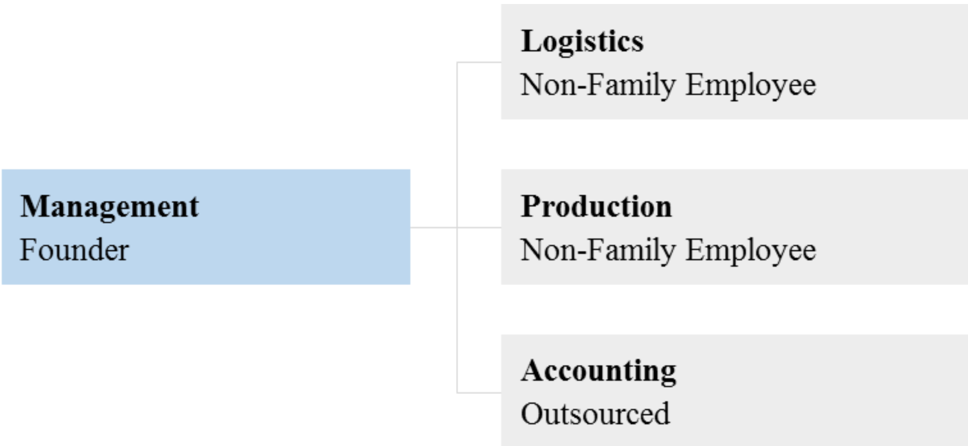


Chart 4: Organizational Structure of Company Y



1.3. Company Z

Table 9: Overview of Company X

Foundation Year	1959
Qualifications:	
Founder	4th Grade
2nd Generation Manager	Civil Engineer
Industry/Sector	Real State; Construction; Rural Tourism
Number of Employees	12
Ownership Distribution	100% Family Owned – Did not made the split after the death of the Founder
Management	Older son of the second generation, succeeded his father due to incumbent premature health complications;

Chart 5: Family Structure of Company Z

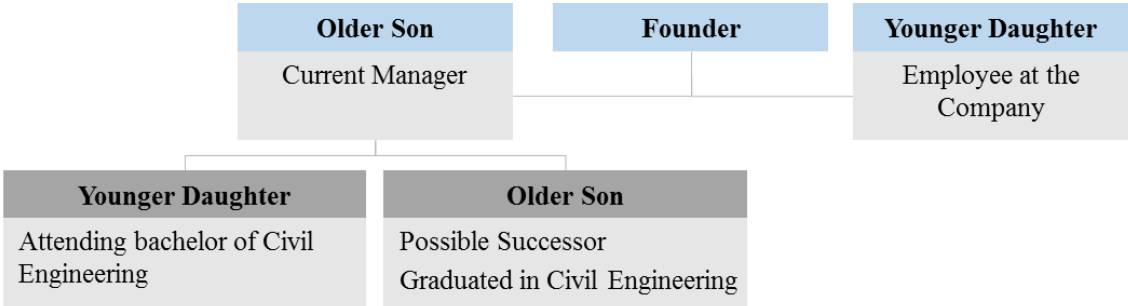
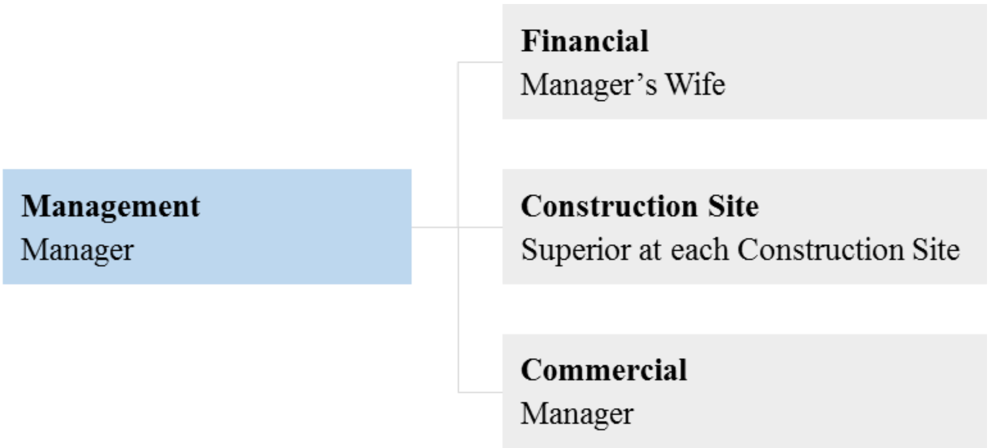


Chart 6: Organizational Structure of Company Z



2. Stage Placement

The criteria below were assessed according to the information detailed on the interviews and assessed according to Table 4. The assessment on whether which stage the company is at has some limitations due to the different evaluation over each of the criteria, therefore the final evaluation consisted on a weighted average of each of the terms evaluated.

2.1. Company X

Manager Requirements Stage 1

The manager acts as a supervisor, although, he is deeply dependant of the field agents. He has the final word in most of the affairs of the company, though the decisions are informed to field agents being they who embody him, creating a dependence towards the people directly dealing with the external agents.

People Management Stage 2

There is a direct supervision with a purpose of implementing a second layer of management on the operational site. An objective hard to accomplish due to the difficulties in hiring people capable of handling the level of responsibility.

The intent is to establish departments and develop people who can manage them. Recruit experienced people is not feasible due the financial constraints of the company.

Strategic Orientation Stage 2

Long-term history of focusing exclusively on one product, wooden fruit packaging, and operating in Portugal, Spain and France, having consolidated their positioning on the market. Recently decided to diversify, dealing on the beekeeping business, aiming to become a reference on the European level.

Formalized Systems Stage 3

Standard procedures are starting to get implement, especially on the communication level, for every decision to be adequately reported.

New Market Entry Stage 1

On the Packaging market, the product conquered a consolidated it's positioning and is expanding to the beekeeping market.

Obtaining Finance Stage 1

The manager and younger sister, as shareholders of the company, used their private property, as well as those of the company, as collateral on bank loans, for their investment on machinery and warehouses to pursue their diversification strategy.

Operational Improvement Stage 1

Concentrated efforts to develop production procedures that result in cost and time efficiency processes, as the implementation of an information system. Production of beehives was done for the past years to test their production capacities to adapt to market demands and define the cost structure of the product.

Management and Ownership Stage 1

Spread Ownership, between two of the three siblings of the family, manager and younger sister. The manager is the shareholder who has the control over the company.

Challenges Stage 2

On the People Management level, there are difficulties in attracting capable people, provided the disregard over the industry, location of the company, in a village, and the financial constrains for the salary, postponing the division into departments.

There are barriers on the formalization of the operational processes due to difficulties in refining the information systems to set the ground for the operational planning in the new production facility.

Difficulty in delegating the current obligations of the manager, as operational supervisor, for him to focus on tasks where he could add more value to the company.

Threat of losing focus for being present on two markets with distinctive distribution channels, products and demands over the product, to be dealt with employees who see their responsibilities increasing with time.

There are challenges related with characteristics from a second stage crisis, implementation of formalized systems, capability to delegate and hiring specialized personnel in operations and logistics. The loss of focus connecting with the third stage crisis. And the investment funding through a bank loan, consigns to the first stage crisis.

Challenges are not aligned on the same stage as covered by the literature review, meaning earlier problems were possibly addressed by prior generations and the news strategy being implemented creates the distortion on the processes.

Overall Assessment

The overall evaluation sets the company on the second stage, slowly starting to encounter problems related with later stages of development. Such is due to the changes the manager is imposing on the management level and the diversification strategy.

An approach as this starts to increase the speed at which the company is going to grow, putting pressure over the company to have a need to impose changes more constantly, since the stages of development are going to shorten in time (Greiner, 1972).

2.2. Company Y

Manager Requirements Stage 1

Experienced manager having developed his competences in several companies, culminating in the creation of the company, in an area he became specialist. Sole manager with an entrepreneurial spirit, having previously introduced the product on a multinational company, enhancing the vision he had over the market. Qualifies as a technically oriented manager.

People Management Stage 1

Information is transmitted to all the branches of the company in a direct and informal way. Efforts to formalize this information flows have experienced successive breaks in protocol.

Direct supervision of the manager in all the domains of the company, from internal processes, production site, quality control, to outsourced services, as accounting.

Attempts to create management levels did not have the desired effect, being normally overlooked, as the case of the information flow process.

Strategic Orientation Stage 1

Objective to consolidate the national market positioning, but still reacting to the market, and in a position where they have surpassed the survival stage. There has been an initial approach towards the institution growth, to consolidate its growth.

Formalized Systems Stage 1

Internal formalized systems have not yet been implemented on the company.

New Market Entry Stage 3

A premium product acting on a niche market, benefits from little competition in the Portuguese and French market. New entries on the market do not pose a threat because to compete in price, then quality is compromised. In France the company is competitive at the present price range, with the highest production capacity and a competitive cost structure due to the lower cost of labour.

There is a product acceptance and an expansion on the existing market.

Obtaining Finance Stage 2

Rounds of investment with the manager’s funds. The operational activity is able to finance itself, emphasizing that the company has surpassed the survival phase.

Operational Improvement Stage 1

Lack of information and market instability unable efficient production planning, although the service level towards the client was rarely compromised. Waste levels are lower level than the industry level, with a focus on new cost production strategies.

Fails on an operational planning, diseconomies of scale, considering the specifications of the product. The manager is the specialized employee on the company.

Management and Ownership Stage 1

The manager has the control over the company, although the ownership is split with his older son.

Challenges Stage 1

Number of employees justifies the violation of the information flow. On the people management level challenge to control employees on the production site. Both behaviours undermine the introduction of a second management layer.

Uncertain demand lowers the production response capacity, but further increases on production capacity demands a more stable demand. There is a focus on cost reduction strategies that could lead to new and more effective time efficiency strategies.

Overall Assessment

The age of the company is well reflected on its dynamics on the different categories being still managed by the founder. Although little changes have occurred since its foundation, some signs of change start to take place, provided the expansion to France, accelerating the passage of the company to new stages of development.

2.3. Company Z

Manager Requirements Stage 1

The management of the company is on the second generation, being technically oriented due to the manager's degree in civil engineer. By being the only manager of the company, the situation turns him into the centralized decision maker entity.

People Management Stage 1

There is a direct supervision and an informal approach, although there is also a layer of management of people responsible for a site of construction who need to report to the manager on a monthly basis.

Strategic Orientation Stage 1

The market conjunction, crisis in the sector since 2009, made them shift from institution growth to a market reaction and survival stage, accepting and seeking for any job on the market, sometimes practicing a price below the cost. There has been an effort to change the business model, for a model less work intensive.

Formalized Systems Stage 2

The manager sets the formalized systems in use and the only ones the employees have to follow are the cost centres.

New Market Entry N/A

The focus is for the restructure of the business on the current saturated market, not being possible to assess on this point the company.

Obtaining Finance Stage 2

During the crisis there were diminishing rate of returns mainly due to the low prices which needed to be practiced.

The new partners who are about to enter on the business is with the purpose of accommodating a succession and not to increase the liquidity of the company.

With the construction market signalling a slow recovery, the company expects to increase their bargain power over the clients and the re-structure of the company, to lead the company in relying only on the operational activity.

Operational Improvement Stage 2

With start of the market recover the company can regain the power of planning jobs. Follow on restructuring the company aiming at reducing the fixed costs, by reducing personnel and outsource the human labour needed.

Management and Ownership Stage 1

The ownership is entirely on the second generation, although the manager is going to spread the ownership between his family, the son, daughter and his wife.

Challenge Stage 1

To persuade the older son to succeed him on the business, there is a pressure over the manager to change the model of the company, something never done before.

The older son is trying to formalize the procedures, since the manager holds all the information and decision power, complicating the learning process of the successor.

With the market recovery there has been a problem on answering to the clients' orders, a situation more difficult to solve due to the shortage of employees to hire, due to retirement and immigration, existing a lack of generational renewal on the sector.

Overall Assessment

The company is on the first stage of development, being affected by the crisis in the construction industry. The entrance of the son on the business aims at developing the firm especially on the operational site, which has been neglected throughout time. To accelerate and grow the aim is to reduce fixed costs and to become a pure service provider working as an intermediator on construction outsourcing specialized services.

2.4. Aggregated Assessment

Table 10: Criteria Assessment for Stage Placement of Companies

	Company		
	X	**Y**	**Z**
Manager Requirements	1	1	1
People Management	2	1	1
Strategic Orientation	2	1	1
Formalized System	3	1	2
New Market Entry	1	3	-
Obtaining Finance	1	2	2
Operational Improvement	1	2	2
Ownership and Management	1	1	1
Challenges	2	1	1
Stage	**2**	**1**	**1**

The companies chosen are placed on the first stages of development as intended. The three of them are about to enter in a growth phase: the first due to product diversification, the second due to expansion to the French market and the last one because of the recovery of the construction market.

The three firms are beginning to address the succession process and undergoing through a process of restructuration of the company to accommodate the desires of the successors.

All of them are expected to enter on new stages of development in the next few years due to their expansion processes and the restructuration of the company to accommodate for more structured and formalized processes.

3. Determinants for the Succession

3.1. Literature Review Contribution

Having in account the Literature Review done, in section 2, the determinants to be studied can be aggregated in four groups:

Family Related

The inclination is towards the control of the company to be kept on the family rather than attributed to an outside manager, existing a strong inclination for the family business to be kept within the family.

Tends to exist a family pressure to favour some relatives over others, in case there is more than one possibility. On that scenario, the pressure will fall over the manager of the company, who will have to choose the person. If there is a clear inclination towards one person, then there will be pressure for him to take over, and taking in account the gender preferences, the older son of the manager tends to be the chosen one.

There was also the higher predisposition of the incumbent to choose one person of the family the higher the number of children, to provide the support to all the family.

Transition Experience

The manager addresses the transition in a more structured way and earlier in the lifetime of the manager in case prior transitions were troublesome, and not be willing to go through the same experience. Either to prevent the next generations of the family confrontations he faced or to avoid the negative impacts that such a situation brings to the company.

Competences/Instruction

On section 2 of the Literature Review, there were contradictory conclusions, allowing this thesis to see which ones are observed on the case studies. From one side the resemblance on the competences between the current manager and the successor can be a perceived as necessary to the manager. Explained by the type of industry the company is inserted, or the inclination he has to maintain the same management style.

Despite this there is a need for the successor to have a different vision to positively contribute for a new and more prosperous state.

Besides the demand for the successor to possess a specific academic background to be eligible for the position, the manager values experience obtained in another company, for him to evolve and mature. Finally, the manager emphasizes the importance of the successor showing his worth on the company.

Company

The unattractive geographical location can explain the lack of interest of the successor in the company, making it more difficult for the incumbent to persuade the successor stay or work in the business. Although the manager recognizes it as a sign of commitment to the business, characteristic regarded as a determinant,

Incumbents Condition

The decision can be anticipated in case of health issues regarding the incumbent. On the other hand, if the emotional attachment to the company is high and believes there is a social status by the position he has, and then the more likely it is for the manager to postpone the heritage as much as he can.

3.2. Company X

Family Related

On the case of company X, there was an expressed desire to retain in the family the management and control of the company, but even on the lack of interest of the only eligible successor to take over the company's management, the objective is to keep the control on the family. The company is now undergoing on a structural change to accommodate a professional managed company with the family maintaining the ownership to supervise the company's management.

The family pressure over the successor took place especially when the older son of the current manager entered on the same program and university as his father did, economics at FEP. The manager said not to have pressured the successor, despite that, the older son admits a pressure of the rest of the family, and a sense of obligation to at least consider the option.

Transition Experience

The company is controlled and managed by the third generation of the family. On the prior generational transitions, there were three factors which deeply influenced the manager: lack of preparation of the successors, conflicts between possible successors given a transition from the first to the second generation only being done after the death of the founder and lack of role adjustment on the transition process of the manager.

These reasons led the manager to start addressing the succession since an early stage, in his case he started to build scenarios depending of the degree of engagement the older son wanted to have on the company. There was an expressed feeling from the older son to control the company, but to leave the management to another person. The decision is than to start building a structure to accommodate a professional managed company, having the son taking part in most of the decision making process to get acquainted with the business.

Competences/Instruction

The older son decided to choose the same degree as his father on the same university, although, once he graduated he decided to work for a year at a consultant company, deciding than to undergo on a master degree in industrial engineering. The instruction in a certain area of expertize was not a condition of the owner to demand on a successor, if he were to have limited options, although, he used it as an exclusion factor, since it reflects the interest of the person. In case of the younger son, he followed medicine, sending a clear sign to the manager of his intentions.

On the manager’s belief, the older son would leverage the company to a new development stage, although, not being his intention to manage, tend he will have to be able, while holding the control of the company, to act as a supervisor. As well as an advisor of the company, given the possible expertize he may bring from his learning experience while working on a different company.

The manager reinforces the incubation time the successor needs to be acquainted with the business and to properly know the specifications of the products and raw materials by they used to understand to the detail the entire company.

Experience in other companies is not a demand, since the manager had little experience and it was not a preponderant factor to assume the business, the incubation is though. Since the current manager, grew up in the company, he knows the details the successor still has to learn.

Company

More of a limitation, although perceived to the manager as an obstacle, is the location of the company, which influences the successor. By the time the transition was asked to be done from second to the third, the current manager knew he had to come back to live in a village because the company demanded it. To add, the industrial sector is not a sector as attractive as the service sector, adding difficulty to the manager in choosing someone, regardless if he is a professional manager or a family member. The successor admitted that such a scenario was by him considered as a limitation when he was younger, but with the passage of time, his opinion has changed and no longer felt like it was the key reason why he did not want to assume the management of the company.

Incumbents Condition

There is an emotional attachment from the incumbent towards the company, since he has grown up spending most of his free time in the company working on the operational site and following his father even in the little things he had to do. That same passion is what drives him to keep the company alive, and with time, wants to make sure the transition is the most adequate.

3.3. Company Y

Family Related

Being the manager, owner and founder of the company he is not influenced by a vast number of stakeholders, benefiting from having the chance of considering his older son as a possibility to succeed on him, although he does not show an interest on the company. He has also a younger daughter, who, as his son, does not show an interest either.

Transition Experience

The owner has never dealt with a succession, though he has seen them happening in companies he worked for. He understands that without the right precautions, the business may suffer deeply from it, and with the current state of the company, a professionalized management is not yet possible, and is not profitable enough to be sold or passed on an employee.

The manager is currently experiencing a transition on the business of his father, serving the experience as a motivation to make what he can to embed the son on the ownership to get to know the business. His father's company will have to be passed to somebody, it is not profitable enough to be sold, though enough to be kept. Despite the unwillingness of him and his brother to take the business an agreement must be reached. As so, he agrees that a solution should have been accommodated a long time ago.

Competences/Instruction

The manager emphasizes the importance for the manager of a company like his to have a degree in civil engineering, to know the product enough to control, further develop and to communicate to the market the quality of the product. The market is sensitive to the salesperson's academic instruction.

The successor should be able to bring new inputs to the company, although, the manager values experience in other companies, for the person to acquire knowledge of how the market works, and commit the mistakes in another company, bringing after that, the best practices to the company.

Company

The lack of interest resides on the market the company operates, the size of the company would demand the manager to know and have the ideas on how to adopt strategies to reduce the cost of production, and the older son, did not finish the degree in civil engineering and has no interest on the product.

Incumbents Condition

The current owner wants to account for any tragedy that can take place and the split in the ownership between him and the older son, and with the younger daughter in a near future, is with that same purpose. In case something happens than from the legal and fiscal point of view, it will be easier for the family to keep the company, easing the transition process on that case scenario.

The manager does not fell emotionally attached to the business as to feel an obligation to make a successful transition for the good of the company. In fact, he admits, that if no solution is found as for the transition and the sell-out is out of option, then he himself closes the business to avoid passing any burden to the family.

3.4. Company Z

Family Related

The manager understands that with the size of the company and the market the company is inserted on, the company can only exist if managed and owned by a family member. The older son is the person who is seen as the successor, the younger daughter to be seen as a possibility needs to prove worthy on the long run. The company also lacks on any more options being the sons of the manager the only family members of the third generation.

Transition Experience

The prior transition was done due to a road accident of the founder, calling for the son to take care of the business. Since the intention of the son was to enter on the business just 20 years after the actual entrance, he wants to make sure, that the person to succeed him will not go through the same process. The ownership is the first point to be addressed to ease the transition, and to create some sense of duty towards the descendants.

Competences/Instruction

The manager recognizes that the older son, needs to bring new management competences, but is essential to have the necessary expertize on the product. The older son has a degree in civil engineering, though no experience on other companies as a civil engineer. That experience should be gained to bring the best from other companies' practices to the family firm.

The current manager expects the son to have the same track as he had to be able to assimilate alike competences, there is a divergence between the manager and the successor on that topic, one defending that the company should be kept as it is, as the successor defends the processes should be more formalized. The main objective of the manager is for the son to become a technically oriented manager.

Company

The company is located on a small village in Santo Tirso, to take on the business, would demand for the successor to live in the village as well. Despite it, the person would need to be incubated on the company for a period for the successor to become acquainted with the business to better manage it, since the market is quite complicated to act on, in a small company as it is on this case.

Incumbents Condition

With the entrance of the son on the company, the father is starting to prepare the succession, to be dealt properly it will take a long time. There is no emotional attachment towards the company, although he understands that the role adjustment would be a problem, provided the time he has been running the company.

V. Conclusions and Limitations of the Work

The managers on all the cases were concerned about the transition especially because of the lack of interest of the successors to assume the business. They all concluded that the business if not family managed needed to be family controlled and no cases were profitable enough to consider a sell-out as an exit strategy for the future. With the assumptions the transition needs to be done otherwise the solution would be to terminate the company.

The companies chosen were aligned with the definition on the literature review. Life stages of a company was a topic addressed to be able to place the companies on a stage being the objective to study the company on the early stages. Concluding with the literature review on succession to gather the determinants concerning: the family relation, the prior transition experiences influencing the decision process, competences and instruction of the successor, limitations of the company and the condition of the incumbent.

From the four interviewed companies, only three were addressing the succession on the company, being all on the early stages of development. All admitted that the successors were not particularly interested and they were changing the company to make it possible to persuade the successors to succeed them.

Despite being small companies, the managers and owners of the business believed the company was profitable enough to be maintained and in these cases, the limited options of family related successors meant that for that to happen, they have to persuade their sons to stay.

Over the analysis to these companies, the determinants over the successor were analysed to make it possible to understand if on the chosen case studies, the manager in fact took the determinants in concern.

Concerning the family relations, the older son tends to be the chosen person, although there exists a pressure of the family or a sense of obligations to align their instruction with the company's branch of activity. On the cases analysed the pre-disposition of the manager to prepare the succession provided the high number of children was not observed, since the primary concern was the alignment between a possible successor and the company. Nonetheless, the determinant was preponderant on a prior transition on company X. From the second to the third generational transition, the owner would only split the ownership if all would agree on the division and if that agreement would leave all the participants on a good financial state.

The transition experience was particularly relevant, company X was on the third generation, Y on the first, and Z on the second. Since all the managers either lived through tough transitions (X and Z) or experienced it on companies they worked at (Y), they were influenced to address the topic at an early stage of their governance. The objectives were to prevent the family from suffering the same fate, to account for the wealth of the company, and because their company would not survive a difficult transition, as two of them did.

Companies X and Z appealed for a new vision on the company, though they both recognized that the successors had that capacity. The academic background of the successors was aligned to the required by the manager. Despite that, the three mentioned that the most important is the knowledge of the company and the market, and the most relevant experience would be acquired by working there for a long period. Company Y and Z emphasized the importance of acquiring experience on a similar and bigger company to bring the best practices to the company.

The managers understand the lack of interest associated with the business, especially because of the industries they are present at, the location itself can be an issue, since the companies are set on a village far from a big city, especially company X, and the business require for the successor to move to the location of the company. The commitment of the successor would then have to be high to accommodate to that demand.

In the literature review, the transition could be accelerated based on the incumbent's health condition or postponed considering their attachment with the company. On the observed cases, the emotional attachment of the manager on company X, is surpassed by the desire of not recreating the negative experience of prior transition processes. On company Y, there is an attachment over the company since he is the founder, and provided his attachment to the company, there might be a difficulty on the role adjustment, although, such did not prevent him to start preparing the succession.

Concerning the limitations of the study, the determinants analysed were the ones recognized by the literature review on family business, no expansion was done towards other determinants normally used to choose a successor on non-family business. Another approach would be to apply a different methodology, as using a survey, to evaluate if the same factors on a wider sample were relevant, to be able to generalize possible contradictions between the literature review and the manager's own criteria.

The life stage placement enhanced the limitations of the theories, there was used a criteria of assessment by introducing the variables of the States Framework Theories in order to better assess the company, although there was not a harmonious evaluation on all the criteria, having the overall assessment to be done by using a weighted average.

Future research could be set on understanding what are the differences demanded from a family related successor and a professional manager. The different conception on what should be the determinants for a successor could be assessed by a head hunter and those of an owner of a family business. Concerning the life stages, future research could focus on companies set on later stages to understand if the incumbent has the same determinants over the successor.

VI. Appendix

1. Appendix 1

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
First Stage: Creativity	Entrepreneurial spirit, technically oriented	One person company or little number of employees managed by an informal and direct approach	Reaction approach: following market demands	Pressure over capable manager	Prevalence of informal systems	Manager's Funds	Cost and time efficiency operational strategies	
Crisis of Leadership	Capable of introducing a new business model	New employees lack the emotional motivation; informal communication ineffective provided the number of people		Confusion over the processes		Funding outside the company scope	Escalating production and economies of scale	

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Second Stage: Direction	Directive leadership; Decision making process concentrated in the manager and top management	Departments division; Incentives and budget policies defined; Increasing specialized personnel; Increasingly formal communication; Hierarchical management stratification	Institution Orientation – growth focus	Standards and cost centres	Market acceptance of the product		Cost and time efficiency operational strategies	

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Crisis of Autonomy	Centralized leadership - top management detachment from operational process and market knowledge	Restrictions over low level employees and management constrains them of adopting more appropriate procedures; Low management call for responsibility over the decision making process		Doubts over the procedures				

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Third Stage: Delegation	Delegation and responsibility attribution; Distant, punctual and formalized systems of communication;	Increasing responsibility and independence to low and mid management; Reward and motivation by bonuses	Expansion - Horizontal and vertical integration done by acquisition	Focusing on information flows – Reports	Acquisitions; Decentralized structure, incentives and authority to penetrate and expand in existing markets			
Crisis of Control	Loss of control over a highly diversified organization;		Lack of cooperation between the decentralized field operations – loss of strategic focus	Crisis of Control				

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Fourth Stage: Coordination	Oversee operation through reporting systems; Focus on strategic orientation of the group	Field operations maintain independence while having the headquarters as a watchdog; Mid management recognition of overall needs of the company	Efficient allocation of company's limited resources - Coordination through semi-decentralization	Implemented by top-management; mainly information flows between headquarters and operational departments; Plants and control through investment centres		Shared profit and stock options as rewards		Gradual split of ownership through new shareholders

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Red Tape		Diminishing trust between management and staff and between filed agents and headquarters	Continuous loss of focus due to diversity over the portfolio	Failure of constrained independence by information flows due to careful clarifications to so validate individual actions; excessive bureaucratic communication system – rigid	Unable to follow all the areas present at		Specific managers allocated for the operational process	

Grainer	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Fifth Stage: Collaboration	Flexible management; Focusing on problem solving and innovation	Team division and assignments for easier problem resolution; Difficulty to employees who relied on formal control; Risk taking new practices encouraged		Self-discipline and Social control				

2. Appendix 2

Neil C. Churchill	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Existence	Technically skilled; guidance of the company	Manager directly supervises employees	Survive	Non-existent	Product Development	Manager´s family and friends		Ownership divided between the manager, friends and family
Crisis of Leadership	Pressure over manager capability of delegating				Uncertainty over market acceptance	Possible shortage of resources		

Neil C. Churchill	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Survival	Supervised supervision management style; High dependence of supervisors and company over the managers knowledge and guidance	Two management layers – new layers as department supervisors	Cash forecasting to analyse the survival or possible growth viability	Minimal – two management layers		Ability to generate marginal gains or be sold at minimum profit	Manager as the major owner of the company	
Success-disengagement	Task responsibility transition to mid management; Intensifying delegation	Mid management - competent to deliver results, restrained promotion given the company's goal	Objective to maintain the status quo; Maintain in the market until a merger occurs	Strained information flow between the owner and mid management	Exploring the niche market		Specialized personnel for the operational	Gradual and constant disengagement of the manager

Neil C. Churchill	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Growth	Manager involvement in all affairs of company increases; Increasing key task developed by top manager	Developing and hiring capable managers to meet the future goals and demands	Consolidation and preparation for growth	Increasingly formalized systems		Cash-flow from the company	Operational Planning	
Take-Off	Delegation through controls on performance or freedom of action	Increased responsibility mid (field) and top management	Specific managers allocated for the strategic process	Extensive and Redefined considering the decentralized structure		Increasing Debt-equity ratio		Majority controlled by the owner; Minority stock controlled

Neil C. Churchill	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Growth	Supervision strategy failure can compromise a key company's branch – delegation failure					Can lead to disgrace if not correctly balanced		Founder tends to be replaced during this stage
Resource Maturity	Experienced potential investor or choose by the board to replace the founder	Maintain Flexibility and entrepreneurial spirit; expand the management force; professionalization of the company	Consolidation	Extensive and well developed		Control financial gains		Owner and Business separated

Neil C. Churchill	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Ossification		Risk averse towards innovation	Keep the status quo until a change in industry or sector environment; Forcing the threat of being outrun by growing competitors	Strict and undisputed				

3. Appendix 3

Lawrence	Manager Requirements	People Management	Strategic Orientation	Formalized System	New Market Entry	Obtaining Finance	Operational Improvement	Management and Ownership
Direct Supervision	One man company slowly turning into a one manager company	Escalating motivational complications due to increasing number of employees to single manage	Survival by high margins		One product in niche market	Own funds		Manager as owner of the company
Supervised Supervision	Charismatic leadership; Delegation across layers of the company; Slowing entrepreneurial spirit	Managing employees by objectives; mid management demanding more control	Expansion by horizontal or vertical integration		Diversify the portfolio of services and products	Cash Flow from operational activity	Diseconomies of scale	Charismatic leadership; Delegation across layers of the company; Slowing entrepreneurial spirit
Indirect Control		Fleeing mid management; New experienced managers increasing costs	Scenario to either grow or be absorbed; Over diversification		New Market entrants	Diminishing absolute rate of return; Turn to owner or third party funds		

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