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Intergenerational Management Succession: Specificities of the Portuguese Family Business

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Abstract

Family firms are considered the world's most predominant form of business organisation. Notwithstanding the fact that there is a lack of consensus with regards to their definition, on recognise that family firms are different from non-family businesses due to their specific relations at three levels, namely ownership, business and family. It would appear that the family influences, shapes and conditions both the firm and its continuity, mainly through the intergenerational management succession, its planning and effectiveness. According to a recent research focused on the entrepreneurial succession in Portugal (AEP, 2011), 50% of family businesses are not passed on to the second generation, and only 20% reach the third generation. Also, taking into account the main results from the project "Roadmap for Portuguese Family Businesses" (NORTE2020/FEDER), the empirical findings have proved that the business succession planning has been identified as one of the most challenging steps in the life of the family firm, which demands for appropriate analysis. In fact, resistance to succession, relationship founder/ successor, planning of succession, type of organisational culture, among others, explain how executive succession is one of the most important and hardest tasks in organisational life. In this article, we aim to discuss the main management challenges of a family business, particularly the importance of succession preparation and the role of the family in the socialisation of the second (third or subsequent) generation. Based on an online survey (N 1148) and on in-

depth interviews conducted to founder/ manager/ owner (N 23), we will seek to point out major challenges faced by the Portuguese family business, as far as this matter is concerned.

Keywords: North of Portugal, family business, Professionalisation, Intergenerational Succession

Introduction

The family-owned business is an important agent in the creation of wealth, employment, and territorial and social cohesion in most countries. In the last decades, studies have frequently dealt with the definition and specific features of family business, in an attempt to clarify the differences between family and non-family firms. Literature related to this topic has stated its relevance in the academic arena (Litz, 2008; Sharma, 2004; Gallo, 1995; Habbershon & Williams, 1999; Davis & Tagiuri, 1989). However, notwithstanding the fact that there is a lack of consensus with regards to their definition, on recognise that family firms are different from non-family businesses due to their specific relations at three levels, namely ownership, business and family (Moores, 2009; Gallo, Tàpies & Cappuyns, 2004; Gersick, K., et al. 1997; Tagiuri & Davis, 1996). The family subsystem plays a key role in the firm's cultural configuration and goal-setting (Churchill & Hatten, 1987) however, enterprise subsystem must be ruled by meritocracy standards, professional governance and economic sustainability. Due to its complexity and the impact that intergenerational succession has on the organisational structure, succession in companies requires full involvement of all family members. A deliberate and systematic transference in the preparation of succession implies to assure, on the one hand, the continuity of the key positions and, on the other hand, the retention of human capital. The successor tends to present several types of dilemmas that he/she has to solve on a daily basis. He/She must deal with personal and intimate relations based on affections and principles of equality towards family members; moreover, he has to rule by objective criteria oriented to meritocracy and economic sustainability in the performance of functions and positions in order to ensure the future of the company. Family succession issues, as well as other topics, such as performance of family firms and governance are crucial to explain how the family could influence, shape and condition both the firm and its continuity.

In fact, bad planning at the time of succession could result in the loss of 6.3 million jobs, according to estimates by the European Observatory. The European Commission (2001) points out that approximately 30% of companies in a transfer situation are on the verge of bankruptcy due to poor preparation of the succession. According to a recent research focused on the entrepreneurial succession in Portugal (AEP, 2011), 50% of family businesses are not passed on to the second generation, and only 20% reach the third generation. Furthermore, taking into account the main results from our project "Roadmap for Portuguese Family Businesses" (NORTE2020/FEDER),

empirical findings have proved that the business succession planning has been identified as one of the most challenging steps in the life of the family firm, which requires appropriate analysis (Marques, 2018a). Resistance to succession, relationship founder/ successor, planning of succession, type of organisational culture, among others, explain how executive succession is one of the most important and hardest tasks in organisational life.

This paper aims to contribute to the debate of the intergenerational management succession, its planning and its effectiveness. The structure of the paper is articulated as follows: firstly, a literature review focus on the topic of intergenerational succession process is outlined; Secondly, the research goal, expected outputs and methodological design are presented; Thirdly, the main results of the online questionnaire applied to several segments of family businesses in the Northern region of Portugal are presented and discussed; Finally, some attitudes and representations towards the succession process based on interviews of a broad range of family manager/ owner as second generations are highlighted. Particular emphasis will be given to the main management challenges of a family business and representations regarding the professionalisation of management.

Resistance to the intergenerational succession

In the last decade, many authors have stated that Intergenerational management successions are one of the most challenging steps in the life of the family firm (Costa & Rio, 2011; AEP, 2011; Chrisman, et al., 2010; Zahra, 2005; Miller, Steier & Le Breton-Miller, 2003). Most recently, the European Family Business Barometer (KPMG, 2017) anticipates that, in the next five years, the greatest transfer of power and intergenerational wealth of modern times will be seen at European level. As we will attest in our empirical research, most of the family firm leaders are often concerned with the long term and the continuity of the business.

However, the question of succession remains at the same time one of the critical points and challenges of any family business, particularly the failure to prepare the successor (Deloitte University EMEA CVBA, 2017). In fact, this topic has not been properly explored yet. The succession process is described as a mutual adjustment between the role of the founder and the next generation. It is an evolutionary course with multiple periods, characterised by a gradual increase in the involvement of the successor, accompanied by a diminution of the founder's involvement, which, in a final phase, culminates in the transference of power between the founder and the successor (Jayantilal, 2016).

In fact, the founder's inability to leave the firm has been cited out as one of the major obstacles for succession (Sharma, Chrisman, Pablo & Chua, 2001). Some key themes tend to be present in the current succession theoretical approach, such as resistance to succession, relationship founder/ successor, planning of succession, type of organisational culture, among others. In many situations, the succession is not explicitly assumed as a medium or long strategic decision for the economy, which

must be made in order to assure the sustainability of the firm. Succession is often indefinitely delayed and neglected due to the strong link between the founder and the firm (Bachkaniwala, Wright & Ram, 2001), which explains a kind of naturalisation of this transition. The founder believes that the velocity at which change occurs, coupled with his uncertainty regarding his children's career ambitions, make him reluctant to plan too far ahead. The succession process can be traumatic for the founder who may suffer motivation problems and feel a sense of loss of status and power and, therefore, grow reluctant to let go. The founder might even try to undermine the successor's capabilities to make the firm more dependent on himself (Morris, Williams & Nel, 1996; Seymour, 1993). As a matter of fact, many founders see the family firm as an extension of themselves, something which they want to control completely (Lansberg, 1999; Dyer, 1986).

Another problem arises when the founder remains in the firm, retaining significant power, even after the succession process has supposedly been completed. This is described as the generational shadow (Davis & Harveston, 2001). The generational shadow refers to the negative effect of the founder. If the founder decides to stay in the firm, the outcome can be quite positive if he/she adopts the role of mentor or consultant. Having a clear role definition is of vital importance for both parties (Sharma, Chrisman, Pablo & Chua, 2001). Also, the founder seems to feel that leaving the firm he is leading will eventually be its end (Barnes & Hershon, 1989). Consequently, to reflect on succession the founder has to accept his/her mortality, which can be a very demanding psychological process. In this sense, Jayantilal, Jorge and Palacios (2016) demonstrate the importance of making the founder assume an active approach in order to increase the possibility of appointing his preferred child. The results confirm that founders who are passive and simply do not assume the matters of the succession process have a greater risk of not ensuring intergenerational executive continuity of the firm.

Furthermore, the interaction, relationship, commitment and involvement of the founder are factors which influence the succession. Szulanski (1996) emphasizes intimacy and the smooth flow of communication as vital, and according to Handler (1994) and Lansberg (1999) the success of the transfer depends on the relationship between predecessor and successor. The reality is that more often than not, father-son relationships tend to be tense and complex (Kets de Vries, 1996). The age gap has been presented as a factor that contributes to the quality of the relationship (Davis, 1983).

Therefore, authors have emphasised the importance of planning the succession (Kets de Vries, 1993; Handler, 1994, 1990) to avoid unnecessary conflict which might arise from unplanned succession and untimely death of the founder (Harvey & Evans, 1994). As we pointed out earlier, the preparation of the succession plays a key role in the dynamics of family business, in case of the continuity of the next generation is assumed in the management strategic decisions for the future. However, in most family firms, the lack of succession planning prevails, and is directly related to the

founder's resistance (Lansberg, 1999). For the purposes of this paper, we intend to explore mostly some attitudes toward succession, framed by the resistance shown in the behaviours both of the founders, and of the second generation or subsequent ones.

Main goal of Research, expected outputs and methodological design

"Roadmap for Portuguese Family Businesses" is a project funded within the framework of NORTE-02-0853-FEDER-000018 and is headed by the Interdisciplinary Centre of Social Sciences - University of Minho (Portugal), in co-promotion with the Portuguese Entrepreneurial Association (AEP). It is a two-year project (2017-2018) which includes as partners expert researchers and scholars, consultants, the main associations (industry, trade and others) registered in the Northern region of Portugal, as well as businessmen and women who will take part in the various actions set out in the project (Marques, 2018a, 2018b; Marques & Couto, 2017).

The main goal of the project is to analyse and assess the impact of the family businesses of the North of Portugal on the local, national and international economy (Marques, 2018a). Conventional statistical data (namely, economic and financial) will be cross-referenced with more in-depth information, such as intergenerational succession process, business organisational structures, and human resources profiles (e.g. gender, qualifications, age-groups). This will entail mapping out the family business by district, which will enable us to update data on this economic sector and allow for the governmental and economic authorities to acknowledge its impact in financial terms and in terms of job creation.

Related to this main goal, the expected outputs will be achieved through the following actions:

Action 1: creating a reliable and comprehensive data base of the types and segments of family businesses in the North of Portugal, so as to inform and support the policy decision-making process;

Action 2: designing an online questionnaire for the different types and segments of family businesses in the North of Portugal, complemented by in-depth interviews to reinforce their economic and social role.

Action 3: disseminating and disclosing information on the project's official website, which will contain documents and a variety of initiatives connected with the project, its partners and collaborators. It will contain a wide range of information, such as news, events, statistical analyses, thematic reports and other documents that may substantiate the different family business profiles in the North of Portugal;

Action 4: holding workshops and seminars to disseminate the main findings of the project and to involve and engage family businesses in the planned activities.

In order to carry out the empirical research, we adopted the family business definition provided by the European Commission Expert Group (EU, 2009): 1) the majority of the decisions are made by the founder of the firm, or by the person(s) who obtained the rights to the firm as the natural heir(s), or by an immediate family member; 2) the majority of the decision-making rights are indirect or direct; 3) at least one family member is formally involved in the governance of the firm; 4) and, finally, registered firms are considered as a family business when the person(s) who founded the firm or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

The methodological design is based on different approaches, namely quantitative, qualitative and participative, accompanied by respective research and treatment techniques of data. This paper will be supported mainly by both quantitative and qualitative data[1].

The quantitative approach has been supported by two steps. The first step required the construction of a database with all family companies formally registered in the North of Portugal, using all available information sources such as the consultation of the Justice Portal, IES (Simplified Business Information)/ Ministry of Justice: SICAE (Information System of the Portuguese Classification of Economic Activities), and the contacts made available by the Portuguese Business Association (AEP). The information fields that are part of this database are fixed and updated annually. The fixed information refers to the identification of the family company (e.g. taxpayer number; company name; location: company address, economic activity, website; date of establishment and start of activity; legal form; and management and administration bodies). As for the information that can be updated annually, it refers to elements subject to variations, such as the number of employees, turnover and export weight.

The second step was geared towards the conception and application of an online survey (LimeSurvey platform) to the family entities collected in previous step, in order to better characterise the profiles of family companies. The distribution of the final sample can be observed in the following table (Table 1), which proportionally represents the family companies in each of the Nomenclature of Territorial Unit (NUTS III)[2]. Between June 2017 and February 2018, equivalent to 9 months of intensive field work, a total of 1.148 questionnaires were collected (it was possible to ensure the constitution of a robust sample in terms of representativeness of the target universe, guaranteeing a 95% confidence level, with a maximum error of 3%.).

[1] The participative methodological approach will not be developed in this paper.

[2] The Nomenclature of Territorial Unit is used for statistical purposes and represents a territorial division in a region or country. In this study, the North of Portugal is represented as NUT II and is one of five NUT II which define Portugal. The North of Portugal is itself defined by eight sub regional divisions (NUT III).

Table 1. Final sample by NUTS III and family firm size (number of workers)

NUTS III	Nº of workers				
	Micro ≤ 3	Micro (4 – 9)	Small (10 – 49)	Median and large firm (≥ 50)	Total
Alto Minho	10 14.9	28 41.8	20 29.9	9 3.4	67 5.8
Alto Tâmega	2 9.5	10 47.6	6 28.6	3 14.3	21 1.8
Área Metropolitana do Porto	200 36.8	146 26.9	142 26.2	55 10.1	543 47.3
Ave	25 18.1	40 29.0	45 32.6	28 20.3	138 12.0
Cávado	45 23.8	56 29.6	59 31.2	29 15.3	189 16.5
Douro	16 30.2	18 34.0	13 24.5	6 11.3	53 4.6
Tâmega and Sousa	25 22.7	28 25.5	34 30.9	23 20.9	110 9.6
Terras de Trás-os-Montes	3 11.1	14 51.9	8 29.6	2 7.4	27 2.4
Total	326 28.4	340 29.6	327 28.5	155 13.5	1148

In the qualitative approach 23 in-depth interviews were conducted with the family managers/ owners who represented all the diversity of this business typology, taking into account , for example, the sector of activity, size, years of foundation, sex and so on (Table 2). It was possible to reconstruct the "history" and "culture" of the family business and kinship networks, so as to recover the trajectory of the founder(s), main critical moments of business turnaround/ transformation, as well as issues related to the present situation and the challenges for the future. This activity was based on a semi-structured script to support the interview which was recorded and had an average duration of 1h: 30m. In addition, this activity has allowed the team of researchers to visit some family businesses and record the information resulting from the observation and interaction between several family and non-family members.

Of the 23 interviewees, two-thirds are males, between the ages of 30 and 60 (the most significant is the age range of 40-50), and the overwhelming majority holds higher education (bachelor's degree, including master's and doctoral degrees). They are founder or in 2nd generation or subsequent, who predominantly assume the status of managing partners or CEO.

Table 2. Identification of the family manager/ owner interviewed

Nº	Size of firm	Year of foundation	Sector of activity	NUT III	Nº of generat.	Sex	Age	Academic qualifications
E1	Small	2010	Trade	Cávado	1	Female	35-40	Bachelor
E2	Micro	2010	Consulting	Douro	1	Female	40-45	Bachelor
E3	Small	1935	Tourism	Alto Tâmega	3	Female	30-35	Master
E4	Micro	2015	Tourism	Douro	1	Male	50-60	Bachelor
E5	Micro	1993	Consulting	Douro	1	Female	45-50	PhD
E6	Medium	1918	Trade	Área Metropolitana do Porto	4	Male	40-45	Bachelor
E7	Medium	1981	Industry	Ave	1	Male	40-45	Bachelor
E8	Small	1992	Tourism	Alto Minho	2	Male	55-60	Vocational Training
E9	Medium	1896	Industry	Área Metropolitana do Porto	5	Female	30-35	Bachelor
E10	Small	1987	Consulting	Terras de Trás-os-Montes	1	Male	45-50	Bachelor
E11	Medium	1988	Industry	Ave	2	Female	35-40	Bachelor
E12	Medium	1977	Industry	Ave	2	Male	40-45	Post-secondary
E13	Medium	1958	Industry	Área Metropolitana do Porto	3	Female	35-40	Bachelor
E14	Small	1951	Trade	Área Metropolitana do Porto	3	Male	60-65	Secondary education
E15	Small		Industry	Cávado	4	Male	40-45	Bachelor

E16	Medium	1853	Industry	Área Metropolitana do Porto	5	Male	70-75	Vocational training
E17	Small	2007	Trade	Área Metropolitana do Porto	3	Male	54-50	Bachelor
E18	Small	1973	Construction	Área Metropolitana do Porto	2	Female	45-50	Bachelor
E19	Small	2009	Industry	Área Metropolitana do Porto	1	Male	70-75	Bachelor
E20	Micro	2008	Consulting	Área Metropolitana do Porto	1	Female	40-45	Bachelor
E21	Micro	1939	Industry	Área Metropolitana do Porto	4	Male	40-45	Bachelor
E22	Small	1956	Trade	Área Metropolitana do Porto	3	Male	40-45	Bachelor
E23	Small	1992	Trade	Área Metropolitana do Porto	3	Male	45-50	Vocational Training

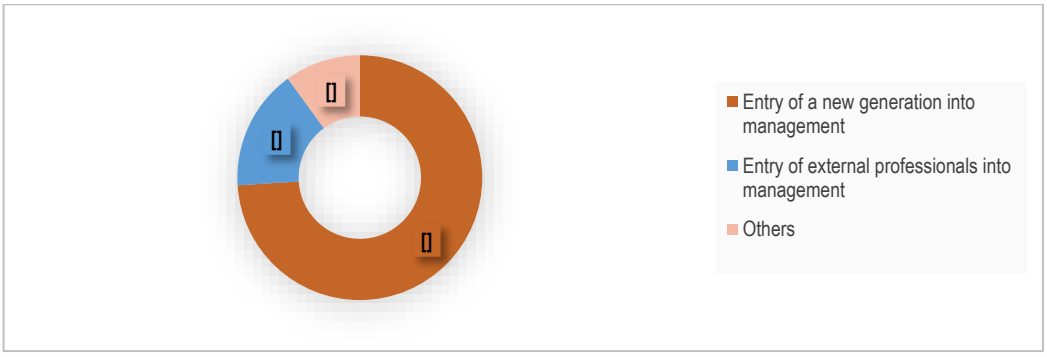
Main challenges of management in family businesses

There are many managerial challenges experienced within the context of family businesses. In addition to the traditional demands required to any business or entrepreneurial activity – e.g. the need for constant innovation to maintain leadership, to deal with competition in the economic activity sector in which they operate, to ensure a good relationship with clients and suppliers, to manage their human resources efficiently, to invest in prospection and to ensure, on the whole, the stable financial health of the business – in the case of family businesses there are also specific internal challenges specifically related with their family nature. Among these challenges we can emphasise: heritage taxes, donations, access to financing without losing company control, but also the preparation of business succession, namely through the definition of family protocols, the preparation of the successor(s), the management of potential conflicts, professional management, among others.

In this section emphasis will be given to the main results arising from the project's quantitative research component (Marques, 2018a, 2018b). The survey results revealed that among the companies that declared they expected to introduce changes

in management (leadership succession) in the short-term (3 to 5 years), the main change would occur with the presence of the younger generation to management (74%). This stance contrasts significantly with the possibility of having managers who don't belong to the family, which only gathered 16% of the answers (cf. Figure 1).

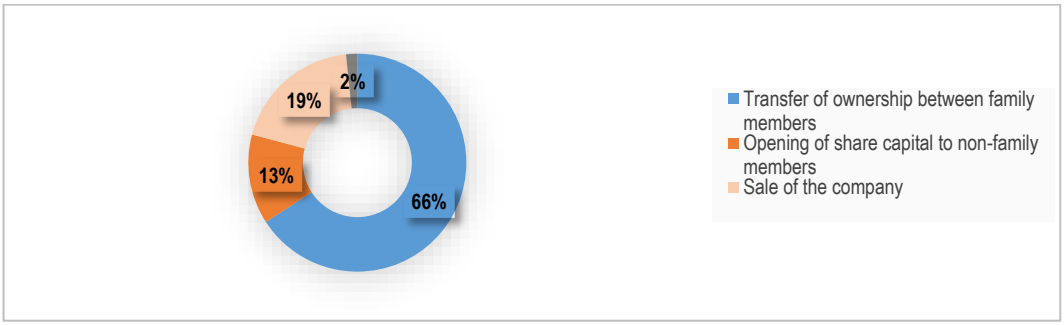
Figure 1. Main change in leadership succession management



Source: Project's online survey to Family Business

Identical results, regarding the maintenance of the family nature of the business, namely in the structuring dimensions of its activity - like the shareholder structure of the company- were equally identified in the question regarding projections on change of the shareholder structure (property succession). In fact, regardless of key-variables such as seniority or the dimension of the family -run business, the results show that if changes in succession are to be introduced in property succession, these will be more than half of the companies that will transfer property among family members (65,8%), rather than through changed which that show an openness (versus maintenance/closure) of the family property, such as selling the business (which gathered 19.2% of the answers) or openness to social capital to non-family members (which, in turn, gathered 13.3% of the answers) (Figure 2).

Figure 2. Main change in shareholder structure (succession of ownership)



Source: Project's online survey to Family Business

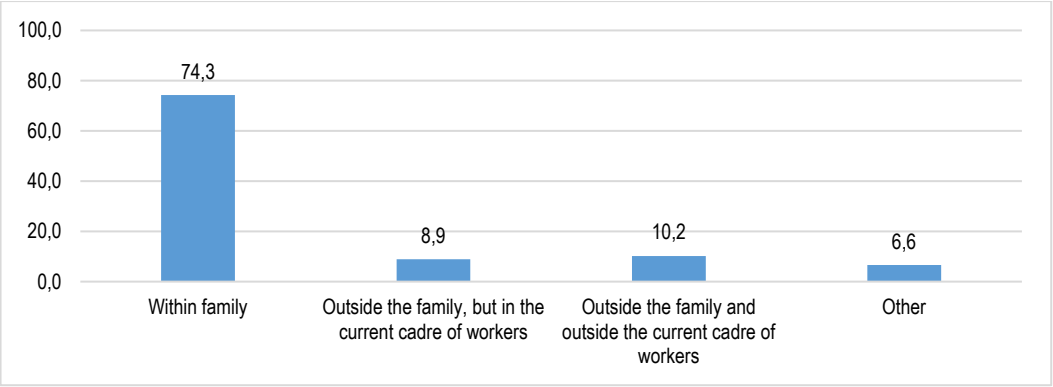
In effect, the results of the survey by questionnaire, applied to a large number of family businesses from the northern region of Portugal are very significant as regards this positioning of preservation of the family nature of this corporate segment, when aspects like the future of the business and matters of succession are approached, either in terms of leadership or in terms of property.

In accord with these results, we can equally find a very significant positioning of the total number of businessmen interviewed (N= 1148) regarding the target of the business successor search: 74.3% of the total of family business owners referred that the search for a successor should take place within the family (Figure 3). In other words, the succession choice is limited to the family members. Assuming that the successor is searched outside the family, opinions subdivide, with slight differences between outside the company's staff (10.2%) and inside it (8.9%).

The online survey developed within the research project also integrated one question related to key factors for the success of the family businesses, taking into account the perspective of the family business leaders. The results revealed that the most valued factors are: (i) preparation and training of the successor before the effective beginning of the role (78.1%); (ii) existence of strategic planning (medium and long term) (76.1%); (iii) separation between the interests of the family and those of the business (75.1%); (iv) prevalence of professional criteria in decision making on regarding property, government and company management (73.1%).

This means that most of family company leaders are often concerned with the continuity of the business, and within this medium/short-term challenge they tend to avoid solutions or answers to these challenges that imply external openness of the business, that is, non-family solutions. Such is demonstrated when we analyse the less valued factors referred by the leaders: (i) the opening of share capital to non-family members (8.8%); (ii) having external professional managers in the company management (26.6%).

Figure 3. Search for the successor of leadership



Source: Project's online survey to Family Business

Attitudes toward succession: the legacy and naturalisation of the process

In an initial stage of the family business, the founder holds a unique and privileged position in the creation of the basic cultural identity of the business, establishing his/her values and beliefs. These are formed by his/her own personality and cultural history, and hence they reflect the founder's education, childhood, life experience, family, and predecessor. The testimonies are very diversified and of an extreme richness, and mirror the enterprising dimension, the risk and the boldness of the founder at the launch of the business family and throughout its maintenance.

> "All my family was influenced by the way he was and how he behaved [founder], and I say this because lots of people are still fond of him, so many years later, after 18 years! (…) Having lived with him on a daily basis, I think we can say he was old school, with all the pros and cons you can expect." (E22_Male_3rd Generation_Trade)

> "Stamina! I think you need to have stamina, and also a strong belief and a bit of luck. You can only build an empire if you can have strong dedication, from people, from the odds and if you understand what you can achieve. That's about it, I think" (E13_Female_3rd Generation_Industry)

The interaction, the relationship, the comittment and the involvement of the founder and of the first generations with the future ones are factors which influence succession. In some situations, the founders tend to welcome new ideas and products, showing that conservativeness or a greater resistance to change shouldn't always be attributed to the founder.

> "My uncle was an amazing person with a strong behaviour, in good but also in situations that are not so good (…). In the bad situations it was complicated to deal with him; in good circumstances he was someone whose work capacity and vision were unusual at the time we were going through and taking into account his training and education. He had only completed primary school. In fact, he was ahead of his time (…)." (E12_Male_2nd Generation_Industry).

> "An important occurred when we started producing *vintage*. Nowadays, it is something ordinary in the wine universe. But back then, for many years, my great-grandfather was always very critical when he produced vintages. V*intage* is one of the premium categories of Port wine and he considered vintage wines to be an English monopoly! He thought that it was in some way related with a certain degree of confidence they showed when it came to producing vintage, and after emphatic resistance from my father and my uncle, he finally gave in, and the first *vintage* was born in 1960 (…)." (E6_Male_4th Geração_Comércio)

Taking on the legacy of the grandparents, parents, uncles, and other family members, with loyalty and, commitment and confidence is a common trait to all the life experiences of these interviewees. Carrying on the family business is shown to be a visible imperative in the vast majority of the speeches, although it implies having "full

availability" or "lack of quality time during the weekend" or "offer full dedication to the business"

As we described before, the succession process is defined as a mutual adjustment between the role of the founder and that of the future generation and constitutes an evolving journey. As the family members gradually increase and despite the fact that there is a greater number of options regarding the choice of the next executive successor, there might be a larger number of family members, tough they might foresee deriving benefits from it. These attitudes may create, on the one hand, some tension among the family members and the members who work for that company *versus* those who don't and, on the other hand, they may escalate existing conflicts Thus, it is essential to establish rules of conduct that will define how the family interacts in the cough the definition of *governance* structures so as to promote the continuity of the family business and protect it from possible conflicts and contentions.

Although the executive succession is one of the greatest challenges that the family business faces, this topic hasn't been conveniently dealt with by these businesses. From the testimonies gathered we can see that the matter of succession is not yet an issue, and if it is discussed, it is only thought of as a *natural* process, to ensure that a normal transition is guaranteed to the direct and indirect descendants.

> "I haven't thought about it yet [sucession]! I have two children, and they also like this space a lot. Succession will naturally be theirs, but we will evaluate where we stand in two years' time. We'll wait and see!" (E4_Male_1ª Generation_Tourism)
>
> "It is still early days because my bother has two daughters and I have a son. The fact is, this business is in their name, and that probably won't change! It will depend on his daughters' will. Having said that, he still wants to have a third child, a boy (…)." (E1_Female_2nd Generation_ Trade)
>
> "For now, they [the children] are still studying and they are still too young, although the eldest has already worked with us operating some machinery and helping us in other ways. In fact, that's a good way of giving him some responsibility and the possibility to earn his own pocket money. Being paid for that is also challenging for them." (E20_Female_1st Generation_Consulting)
>
> "Once again, the natural order of things is to have the capital dispersed among more members because people will have more children, or they'll go abroad, I don't know … but maybe in twenty or thirty years' time, the structure of the capital will be very different. One of the aspects we have discussed has been to establish a set of rules, written rules, formal ones, related with the family, in which we may define several domains. These rules will include, for example, under which circumstances a family member can work in the business; under what circumstances a shareholder, for whatever reason, wants to sell and can

> sell his shares or part of his shares; whether there is a preference from the other members, and if that is so, in what conditions; the retirement age of the people who work in the family business… This is something we have been discussing, and which I think is of the utmost importance!" (E6_Male_4th Generation_Trade)

> "Something I learnt in one of the training sessions on succession which I attended was the rumour that family businesses usually disappear in the third generation! That's when I started to wonder about the future, the division of the business, the shareholders… the matter of the descendants, the children and their involvement needs rethinking and needs to be prepared" (E9_Female_5th Generation_Industry)

Most of the narratives considered emphasise the postponement in the formalisation of succession. Only in residual narratives does the interviewee assume he/she has already thought about a family protocol which defines a set of rules or proceures to be followed in the planning of succession of leadership/ business management.

> "We have already considered that! Once we had a meeting the Association of Family Businesses, (…) and then we thought about writing down the family protocol, we almost did it (…) I believe family protocol is very important, because we need to safeguard some situations that can occur!" (E3_Female_3rd Generation_Tourism)

When succession takes place, not exempt from conflict, its preparation was decisive, as is shown in the following excerpt from one of the testimonies:

> "In 2001, my father and my uncle realised that in order to continue, this company depended on us and on the invested capital (…)! So, they realised that if they donated it to us or gave us the opportunity to continue operating it, they would be able to have a fixed income, a consistent yield, up to the time of their death. And that's what happened. There were deals, meetings and they decided we [my sister and I] would be the successors. This succession was prepared by him after our decision! We said we wanted guarantees! (…) That is, a document … one part is given to us by donation and the other by right of use, which could be claimed at any moment (…). There were conflicts…obviously! There were differences of opinion, and at times it seemed it wouldn't work. We moved forwards, backwards, but eventually, it worked! I think credit should be given, in this particular case, to my father and my uncle for accepting, but we have merit as well because we assured them they would always be linked to the business, and safe!" (E23_Male_3rd Generation_Trade)

Concluding remarks

The process of transmitting the business in family-run businesses has been pointed out as the most critical phase in the business life cycle of this type of company. Awareness of new generations towards family business continuity is the main

purpose and mission of succession processes. It should also be pointed out that the "Roadmap for Portuguese Family Businesses" project focuses on the role and impact of family businesses in the economy and its main challenges, in order to establish a relevant agenda in terms of increasing the visibility, by producing not only accurate and reliable statistics, but also the knowledge that may aid the policy decision-making process.

Based on our empirical research we may point out major challenges faced by the Portuguese family business as far as this matter is concerned. As we are well aware, most of the decisions of family firms are more influenced by intangible emotional factors anchored in family and affective ties, rather than by strictly business interests. However, for the sustainability and professionalisation of the family business, it is important to ensure a separation between the interests of the family and those of the business. Nevertheless, the informality of decisions and planning characterises the model of governance of Portuguese family companies. Due to family influence on business decisions, family firms are more permeable to the informality of the decisions, the lack of structured communication circuits, and the strategic planning in the medium and long term.

Additionally, the main results from the "Roadmap for Portuguese Family Businesses" project which was previously discussed – also revealed that the entrepreneurs of the family businesses do not neglect the importance of early and professional management, which implies designing strategic plans, preparing and training the successor and affirming the need to keep family interests and business interests separated, but they achieve this by looking inwards (the family - *internal professionalisation*), and not outwards (*external professionalisation*). Family companies tend to reveal an unfavourable positioning to the openness to external members (either in terms of the possibility of participation in the share capital, or in terms of integration in the company's management), indicating, therefore, some resistance to the *defamiliarisation* of the enterprise/company management. In other words, the priority managerial motto - within this corporate segment and considering a main topic of management such as succession - seems to be: *Keep it (professional but) in the family*!

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