# ANÁLISE DE EMPRESAS FAMILIARES E SUAS DIFICULDADES NO PROCESSO DE PROFISSIONALIZAÇÃO

# ANALYSIS OF FAMILIAR BUSINESSES AND THEIR DIFFICULTIES IN THE PROFESSIONALIZATION PROCESS

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**Resumo:**
Esse trabalho objetiva identificar as principais dificuldades encontradas pelos administradores familiares e não familiares no processo de profissionalização de uma empresa familiar. O método aplicado é caracterizado inicialmente como exploratório, decorrente da necessidade de pesquisar a literatura produzida a respeito do tema. O método foi o estudo de casos múltiplos, sendo realizado em três empresas familiares que possuem gestores familiares e não familiares. As informações e a coleta dos dados foram realizadas por meio de entrevistas pré-agendadas com os diretores e gerentes das empresas, seguindo um roteiro semiestruturado. Foram aplicadas perguntas abertas, realizadas individualmente, que foram gravadas e transcritas com o objetivo de evidenciar pontos em comum na fala dos entrevistados, bem como confrontá-las. O conteúdo obtido nas entrevistas foi analisado com base na fundamentação teórica realizada, de forma qualitativa, podendo assim confrontar a teoria com realidade das empresas estudadas, sendo possível atingir o objetivo central deste estudo. Os entrevistados atribuíram as dificuldades da profissionalização das empresas a alguns fatores comuns entre elas, como a falta de *feedback*, o excesso de confiança, a falha na comunicação e o favoritismo. Essas características foram confirmadas mediante relato dos entrevistados, ficando em evidência que apesar da diferença do tempo de vida de cada empresa, os pontos em comum são os mesmos, e as dificuldades no processo de profissionalização, também são semelhantes independentemente da fase do processo.

**Palavras-chave**: empresa familiar; gestores externos; profissionalização

**Abstract:**
Our study aims to identify the main difficulties faced by family and non-family managers in the process of a family business professionalization. The method applied is initially characterized as exploratory, resulting from the need to search the literature produced on this topic. Our method was the multiple case studies, with three family businesses with family and non-family managers. Information and data collection were carried out with pre-scheduled interviews with CEOs and business managers while following a semi-structured script. We applied open-ended questions, which were carried out individually, recorded and transcribed with the goal of highlighting common points in the reports of the interviewees, as well as confronting them. We analyzed the content based on the theoretical foundation carried out qualitatively. Thus, we were able to confront the theory to the firms' reality, making it possible to reach the main goal of this study. The interviewees assigned the difficulties of the professionalization to some common factors among them, such as lack of feedback, overconfidence, miscommunication, and favoritism. These characteristics were confirmed by the interviewees. It is evident that despite the difference of each firm lifespan, the common ground is the same, and the difficulties in the process of professionalization are also similar regardless of the stage of the process.

**Keywords**: family business; external managers; professionalization

## 1 Introduction

Family businesses represent significant economic and social institutions (Ramadani, Dana, Gërguri-Rashiti, Ratten, 2017), impacting in terms of employment, job creation, gross domestic product, and wealth generation (Basco, 2015; Ramadani, Fayolle, Gerguri-Rashiti,

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& Aliu, 2015). Family businesses frequently are the object of study and subject of important discussions of the Brazilian economy. They influence both the productivity and employability, besides presenting great potential for development. Evolving the management of the family business, usually marked by improvisation, empiricism, lack of planning and measurable goals, into a professionalized management, focused on the results and the perpetuation of the business is one of the challenges that we have in the global economic context. Its importance may be seen in the representation of enterprises on global economic and social indicators, such as GDP and employment level. In Brazil, it is estimated that these Firms Are responsible for generating 60% of direct jobs and for 48% of the national production (Gueiros, 1998). On the other hand, 90% of Brazilian Firms Are family businesses or are controlled by family groups. When it comes to family businesses, the first thing that comes to mind is the typical problems that seem to get in the way of family businesses, such as pragmatism, authoritarianism, paternalism, nepotism, and rivalry between the different generations and among the family members of the same generation (Bethlem, 1994).

Most family businesses have as their main manager the owner of the firm itself, which often may cause problems in the administration. Regarding this, Freitas and Frezza (2005) observe that, in many family businesses, the manager needs to differentiate the interests of the family and those of the firm, while attempting to minimize the conflicts between family and business. The separation of the interests provides the manager a balance between managing the firm and the interests of the family. The management of the family business requires processes for decentralization of power so that in the future, the management of the firm will not have problems with family members and collaborators. For Bernhoeft and Gallo (2003), a process of decentralization is established to delegate the management and daily activities of the firm to a non-family manager, whether they are known or not by the family. However, the process of decentralization of power in the firms brings about changes in the way they manage, professionalize, and plan their strategies. Most of the time, the changes made by the owners of businesses arise due to some difficulty found at work or due to a financial crisis.

In light of this, our research is based on a case study using a research framework because case studies provide opportunities to contribute to research about family businesses (De Massis & Kotlar, 2014). Taking as reference the multiplicity of contexts and business scenarios and differentiated ways of perception of managers, it is important to understand the relationship and strategies adopted by family and non-family managers about the family businesses. Based on this issue, this study presents the following research question: which are

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the main difficulties faced by family and non-family managers in the process of professionalization of family businesses? Consequently, our research objective is to analyze how family businesses formulate their strategies to optimize the use of their resources and to mitigate the risk during their professionalization process. This study contributes to the empirical field and literature because it identifies the mechanisms that members of family businesses influence the management through resources and strategies. Therefore, there is the need to understand the characteristics and attributes of family members to explain different family businesses outcomes (Evert, Martin, & McLeod, 2016).

The following are the sections on the theoretical foundation, the methodological procedures, the case study, the characterization of the firms studied, the results and the analysis and, finally, the final considerations.

## 2 Literature Review

Since the objective of this research is to analyze how family businesses formulate their strategies to optimize the use of their resources and to mitigate the risk when achieving their goals, in this section are presented the main theoretical foundations that support this research: concepts and characteristics of family business, concept of professionalization and its relevance in the context of the family businesses, as addressed by the leading authors in this field.

### 2.1 Concept of Family Business and their Characteristics

Family businesses represent the most dominant form of business worldwide (Xi, Kraus, Filser, & Kellermanns, 2013). Therefore, it is worth mentioning the definition of family business as developed by different authors, as there is no consensus in the literature about what a family business is. According to Gersick, Davis, Hampton, and Lanseberg (1997), family organizations still constitute the predominant form of firms in the world and play a significant role in the economy of many nations. Following Bernhoeft (1989) most firms are born as family businesses, following the need, persistence, and investment of their founder, who calls the other family members to assist it, whether for the growth of the enterprise or to give continuity to it. Bernhoeft (1989) also states that family business has its

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origin and story linked to a family or keeps family members managing the businesses for generations.

The concept of family business, according to Donnelley (1967), Lodi (1998), and Ricca Neto (1998) is one in which the family controls the business for at least two generations. This concept has a mutual influence from the general policy of the firm and family interests and goals. The dynamics of the family business depends much on the development of a contributory and capable commitment of future generations (Davis, Sinanis, & Collette, 2014). Thus, a family business is based on control, leadership, and management aiming to result in the transgenerational succession (Goel & Jones III, 2016).

Lodi (1998) also adds that to be considered a family enterprise, it must have institutional values that are identified with a family surname or the figure of the founder. Vidigal (1996), in turn, says that all firms, strictly speaking, had had a founder or a small group of founders, who were their owners. The shares or units of the firm would probably be inherited by their children. However, Rocha (2001) states that, for a firm to be considered a family business, it must necessarily have a managerial structure in which the positions of greater decision-making power are performed by members of the owning family.

Garcia (2001) considers a firm as being a family business when it is controlled by one or more families. Its concept is based on the premise that families, whether or not represented by the management, influence the mission and goals of the organization from their own interests. However, for most authors, a firm is characterized as a family business when is managed by the family owner while not having restrictions if the succession has already occurred. Therefore, practically all firms were originally a family business (Vidigal, 1996).

In fact, the literature on the concept of family business indicates that there is no definition that is completely accepted and legitimized by the authors, noting that many of the features found in family businesses can also be seen in other firms, making it difficult to conceptualize it and demonstrating that the family aspect is more related to the style with which the firm is managed than just the fact that the capital is owned by one or more households (Bernhoeft, 1989). Thus, the search for these definitions has been one of the biggest challenges faced by the researchers in the field (King & Peng, 2013).

For this study, it will be used the concept of Bernhoeft (1989) and Lodi (1998), that says that family business has its origin and story linked to a family or keeps family members managing the businesses for generations.

According to Bernhoeft (1989) family businesses present the following characteristics: strong appreciation of mutual trust, even if there are no family bonds; the influence of emotional ties in behavior, relationship, and the firm's decisions; seniority as a preferred attribute to competence and effectiveness; requirement of beyond normal dedication.

According to Ricca Neto (1998, p. 9), family ties are also part of a basic feature that distinguishes the family businesses from other business organizations and this feature with other elements determines how positions are held in a higher-rank in light of the rights of succession. As for Bornholdt (2005), this may come from their family, and societal ties brought up from either inside or outside work through the bonds of brothers and cousins when firms are no longer individually owned.

Ricca Neto (1998) highlights that when these features are not based on positive and technical personal qualities or results, they forcibly lead to administrative differences, especially if the management is strongly focused more on family traditions than on their goals.

There are other features in the family businesses that should be observed with greater rigor, such as nepotism and favoritism. Pereira and Fonseca (1997) stress that knowing and understanding the culture of the organization is a key factor for the administrative success. Thus, it is relevant to merge the culture and management of the family businesses to obtain satisfactory outcomes. The authors emphasize that this fact often occurs when family businesses face the need to include professionals who are unrelated to the family into their administrative structure. Moreover, Grisci and Velloso (2014) state that when better practices in the family businesses are implemented, the trust and credibility of shareholders and the market regarding the firm are increased, thus generating value, enhancing the transparency in the relations of property and management, and reducing the conflicts.

As claimed by Drucker (2001), changes in traditional family models are evolving. Consequently, there has been a decrease in family members' implications on making decisions inside their own businesses. These changes have brought about difficulties in dealing with the environment from the owners' point of view. The family business management has its own peculiarities, which must be considered in the balance of their participants and to ensure their continuity. However, they must be committed to the survival of the business as any other organization, considering their mission, objectives, and commitments with the economic and social medium, regardless the management of the firm being in the hands of the family or family group or professional executives hired for this purpose.

## 2.2 The Professionalization of the Management in Family Businesses

The process of management professionalization, according to Padula (2002), can generally be understood as the way by which the strategies of coordinating activities and organizational efforts adopted by the managers are created as the firm goes through the various stages of growth. More specifically, professionalization is based on two main lines of action: the process of delegation of responsibility and the degree of formalization of the mechanisms used to control actions within the organization.

Family business and non-family business have differed in their management styles, as performance and non-financial goals (Zellweger, Nason, Nordqvist & Brush, 2013), risk-taking (Cannella, Jones, & Withers, 2014), governance (Chrisman, Sharma, Steier, & Chua, 2013), resource allocation (Carnes & Ireland, 2013), and strategies (Nordqvist, Sharma, & Chirico, 2014). According to Freitas and Frezza (2005), professionalization is the process by which a firm takes on customized decisions to be applied in their firm. Thus, conducted by family professionals or not, the firm will be able to continue thriving and winning the competition in the market.

In the opinion of Leach (1993) when the family business transcends the steps of product-oriented or process-oriented development, the uniquely intuitive management must give space to the professionalization, based on planning and growth through strategic management methods. Not that intuition should be disregarded, but an organization cannot be predominantly managed by intuition. In this step, the organization needs to acquire more subtle skills, and the management should hand in the emphasis on the control to the coordination. Therefore, the rules and roles of each are clear, thus allowing the authority to be delegated. For the firm to succeed, it is important that the members are capable and ready. Thus, according to the author, the staff should only include the family members who have proven to be competent, especially those of higher rank positions. When none of the family members are prepared for these roles, then the firm must hire professionals from outside the family.

For Lodi (1998), in broader terms, professionalization is the process by which a firm implements rationale behind every decision, by replacing intuitive methods with rational methods, which is also known as repositioning contract from a patriarchal business model to a modern hiring process.

Also, according to Lodi (1998), the professionalization of the family business involves three basic points:

a) The success in integrating family professionals in the direction and management of the firm;
b) The success in adopting more rational management practices;
c) Success in resorting to consulting and external consultants to incorporate already successful systems in more advanced or recommended firms in the universities and research centers.

In the reports made by Oliveira (1999), the main advantages of professionalization are based on quickly and effectively receiving the experiences and knowledge of a non-family executive, who can bring a large set of skills obtained in other firms, which later will be very beneficial. This means incorporating new styles of administration, besides the flexibility for changes of executives, as there is no family bond, it facilitates their replacement in case the expected result is not achieved. However, on the other hand, as there is no emotional tie, there is a lack of loyalty on the part of the non-family professional, thus increasing the chance of the professional resigning due to the new opportunities that appear in the labor market. According to Bernhoeft (2004), one of the struggles of non-family executives for being successful when managing family businesses is that their short-term view in search of immediate results to press and earn greater payments bonus is in sharp contrast with the medium and long-term view of the controlling groups.

The professionalization within the family business requires extra care, because, in this type of organization, there are strong relationship ties between partners, relatives, and heirs. These cultural traits, when misguided, can cause problems in the hierarchy, succession, and even generate a distrust between the family members. According to Gehlen (2006), by ruling out a family business model and activating a more professional firm, professionalization arises. However, for Freitas and Frezza (2005), the professionalized management cannot be considered immune to the family influences.

Casillas, Vásquez, and Díaz (2007) warn that the success of a good management professionalization in a family business depends on the certainty that the leaders have sufficient skills and competencies to develop their business functions, and thus be successful in their business management activities. However, in some cases, the family members are not

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professionalized and competent people to manage the firm. Therefore, the search for professionals outside the family becomes inevitable, so that the enterprise does not take a downward course in its expansion, which can cause loss of competitiveness in the market and even problems regarding its perpetuity.

The professionalization of the family business is not a simple task, either by its constitution (family members in higher-rank positions) and the natural resistance to change or the way the founder has always conducted the business. Lodi (1998) states that the first mistake is trying to change everything too fast or to keep what had been done before. Also, Morais (2009) comments that these changes can be difficult to be implemented in a large number of small businesses, so it is necessary to search for changes that are gradually applied, providing the firm with the best results. Within this context, Bernhoeft (1989) states that through the process of professionalizing the firm would be able to respond more efficiently to the challenges of the business' environments, which are increasingly complex and competitive.

Finally, Leach (1993) stresses that, when the process of professionalization from hiring external executives takes place with good family separation, most problems disappear or are reduced significantly. Among the many benefits found in these processes, the fact that the management of the firm ceases to be just a family stronghold is highlighted. It is unanimous throughout the bibliography searched that professionalization is one of the key points for the perpetuity of the family businesses. However, these concepts must be understood to be implemented.

## 3 Method

This section will present the method used to achieve the proposed objective. Thus, to analyze how family businesses formulate their strategies to optimize the use of their resources and the risk reduction during their professionalization process, the methodological proposal defined for the study is identified as exploratory research. We chose this technique to comprise a complex, context-dependent phenomenon (Eisenhardt, 1989). We considered that it is a research with the aim of providing the formulation of more precise problems while creating hypotheses for future research.

This study was carried out using the technique known as multiple case study. According to Yin (2014), the multiple case study as a research strategy is used to enhance the

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existing knowledge about individual, social, political and organizational phenomena. The same author reports that an exploratory study must present the theoretical assumptions that will guide the investigation. Thus, the strategic variables identified in the literature review form the theoretical basis that guided the data collection, the interpretation, and the analysis of them. Thus, a case study in family businesses was carried out. In these organizations, the management, the firm's strategies, the degree of professionalism, and the organizational culture were studied.

Given this script, we developed semi-structured closed questions considering the theoretical background and the context of the family businesses (Appendix A and B). The case study protocol explained the theoretical background, the design of the research, the criteria for case selection, the case study procedures, the operationalization of the data collection and analysis, the plan validity, the study limitations, and the schedule. We asked the questions one at a time, with annotations and simultaneous recordings in an informal atmosphere among the participants.

In this study, we collected information from interviews with Chief Executive Officers (CEOs) and managers of the family businesses analyzed here. These family businesses are suitable to this study objectives because of the following characteristics: medium-sized family businesses with multifamily society; and the management board is in its second generation, but its founders still working at the firm. Aiming at the preservation of the identity of these firms, the corporate names are not mentioned as they will be characterized as Firms A, B, and C. As the research proceeds, interviews often become primary research data, allowing to search for cross-case patterns and to identify similarities and differences between the narratives (Eisenhardt, 1989). We also collected secondary data from family businesses websites to complement and contrast with information from interviews, plus bibliographical material such as websites, annuals, magazines, and books. Data from interviews, secondary data, researchers' observations and notes were all used for data triangulation, with the objective of increasing validity and reliability, as they were collected at different times from different sources or with different instruments to study a single phenomenon (Collis & Hussey, 2005; Stake, 1998).

The data collection technique used for the study was conducted through pre-scheduled interviews with an average duration of 60 minutes each, with a semi-structured script, following the instrument described in the Table of Questions, in Appendix A. The research instrument was validated by two professors and two advisory consultants to obtain more

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knowledge and a more impartial perspective. Questions were open and carried out individually where they were recorded and transcribed. Therefore, responded to the interview family members who hold direction positions within the firms studied and non-family members that hold management positions or coordinators of any department within the firm. The top two managers of each organization, which responded to the survey in May 2016, were selected for the interviews. The interviews were analyzed, with the goal of highlighting common points in the reports of the interviewees, as well as confronting them.

Another worry is the moment to stop adding cases and when to stop interacting with theory and data (Eisenhardt, 1989). In the first issue, the criteria of theoretical saturation were observed based on the minimal incremental learning and the analysis of the phenomena (Glaser & Strauss, 1967). In the second issue, the interaction between theory and data stops when the incremental improvement in the theory is minimal (Eisenhardt, 1989). In this sense, we analyzed internal validity (casual connections), external validity (generalizability), reliability (intersubjectivity) and construct validity (operationalization of concepts). For data analysis, we used the content analysis technique to infer knowledge through the generation of quantitative indicators (Bardin, 1977). We drafted a summary of the observations and comments made by the participants of the research that we used to interpret the results. In this case, we used data from interviews, secondary data, researchers' observations and notes for data triangulation with the objective of increasing validity and reliability, by collecting data at different times from different sources or with different instruments to study a single phenomenon (Collis & Hussey, 2005; Stake, 1998). Data analysis was performed by preparing summaries, in addition to the printed and digital materials. The data were constantly compared (Strauss & Corbin, 1990) between theory and results to further the discussion of the professionalization of family business and our findings.

## 3.1 Researched Cases

The results of this research aim to analyze how family businesses formulate their strategies to optimize the use of their resources and the risk reduction when achieving their goals. This section will characterize the firms interviewed to understand them. In this sense, we considered the analysis unit as the firm, reporting the results about the relationships between the individuals inside in this context.

**Firm A**: It is a branch of a multinational enterprise (MNE) and has been working for 14 years on the market. The founder has had a long relationship with the IT provider since 1995. Given the close contact with the directors of the MNE, they raised the possibility of opening an exclusive store of the brand in Caxias do Sul. Then, the first exclusive shop of the MNE was opened in the city of Caxias do Sul (where today is the firm's headquarters), as well as having eight more branches and 126 employees. When the firm was founded, the firm was divided into three partners: the founder, the founder's brother, and a third party that is not part of the family of the founder. The current shareholders of the firm are the children and also an embedded partner. The positions with greater responsibility are held by family members, but the branches are managed by non-family professionals. The firm is in constant growth due to the entrepreneur view and is very open to the challenges of its founder, who is always willing to make improvements and in search of techniques and tools that contribute to the growth of the firm.

For the development of this study, the founder of the firm was interviewed, along with the successor, the founder's daughter, and the manager of one of the branches located in Porto Alegre.

**Firm B**: Firm that is a pioneer in the diagnostic imaging area located in the city of Gravataí, in the Rio Grande do Sul State; the founder was a physician specialized in radiography. In 1974, with an entrepreneurial view, he recognized a chance of growth. In 1984, he teamed up with another physician in the same area, where together they acquired the first ultrasound device in the city, beginning the activities as a clinic specialized in Radiology.

Nowadays, the founders still work as the firm's physicians and are part of the most important decisions, such as investments and improvements. The firm is in the second generation and is managed by the children of the partners who are also physicians. Due to the successors being working in the medical field, an external manager was hired to look after the interests of the firm. The interview was made with the external manager and with the founder and creator of the firm.

**Firm C**: Firm that produces base oil, located in the city of Gravataí, in the Rio Grande do Sul State. One of the five largest firms in Brazil, having worked for 55 years in the market, it was born from the merger between two competitors in 1961, thus taking the lead on distribution and refining of the oil used in the state with superior infrastructure. Currently, the firm has about 200 employees, has as its major client Petrobras and Ipiranga Lubrificantes, besides having their own final product on the market. The firm was founded by three associates who do not have family ties. The firm is in the second generation and is currently managed by the children of the founders, but the founders still have strong influence and great power of decision-making in the firm. The family members work in the managerial positions of the firm, such as finance, sales, and one of the directors is responsible for the production. For the more technical positions of the firm, external managers were hired.

For the development of this study, the production director, son of one of the founders, and the production manager that is unrelated to the family.

## 4 Analysis and Discussion of the Results

This section will present the analysis and the results of the interviews with representatives of the firms selected for the study. Family members who work at the firm and non-family managers who are in coordination and management positions were interviewed, with the aim to answer the research question and the objective of this study, which is to highlight the difficulties of the process of professionalization in the context of family businesses.

When analyzing the three family businesses, it was possible to see that they have unique management processes that are bound to the experience and values of the founder. It has been found that every firm has its own management model, consisting of the set of beliefs and values (Bornholdt, 2005). The three organizations studied showed centralization of the decisions in the hands of the founder, but only the most relevant decisions, such as high investments that lead to growth and expansion, are discussed with the family members.

As reported by the interviewees, none of the entrepreneurs sought professional guidance before starting their business activities, mainly because they already had prior experience. In theory, it is necessary that entrepreneurs deal with associations, trade unions, and specialists for more desirable outcomes (Paletta, 2001). Based on the cases studied, one could observe that, in practice, the tendency is the opposite. The firms did not seek guidance and initiated the professional activities based on their experiences and instincts, as reports of the founders. However, once the firm has grown, there was the need to assume personalized practices and to hire qualified professionals to assist and guide the firm in the growth phase. Thus, the firm acquires conditions to continue thriving, according to Freitas and Frezza (2005) in the literature.

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In Firms A and B, we observed that the professionalization process of management was necessary because of the strong growth of the firm. There was the need to standardize the processes and strategies, making them more rational and planned. Again, this is stated in theory presented in this study, where Padula (2002) suggests that the process of management professionalization can generally be understood as the way by which the strategies of coordinating activities and organizational efforts adopted by the managers are created as the firm goes through the various stages of growth. This is not seen in Firm C because its founders have a more conservative thinking, it stagnated its growth process, what makes the firm to stay for years in the same position in the market, without seeking new methods and products that can leave them with a higher and more profitable positioning, as shown in the interviews. In these terms, different dimensions can influence the strategy and the management of the family business as family structure, family functions, family interactions, and family events. Consequently, these dimensions of family heterogeneity should be considered to understand the degree and type of family involvement and its effect on the family business strategy (De Massis & Kotlar, 2014).

The emotional ties are very strong in the three firms surveyed. However, in Firms A and C, they are more evident, because all administrative proceedings of the firm are in the hands of one of the relatives. According to the reports of the non-family managers, the family members who manage some strategic sectors of the firm are not prepared for the roles, which ends up hindering some processes that should be simple. What is not perceived by the family managers who were interviewed, as they believe that they can with the positions they hold, making it evident what the literature talks about family influences, privileges, and favoritism, very typical in a family business, and this confirms the theory of Ricca Neto (1998), which reinforces that when the features are not based on positive and technical personal qualities or results, they forcibly lead to administrative differences. The greatest evidence of this was gathered in Firm C, where the family member interviewed and the external manager stated that a family manager does not have the necessary skills to manage the sector. As the firm is run by two families, there is a particular rivalry between them, which complicates communication and prevents an external manager to be hired, which would be more profitable to the firm in strategic terms, according to the interviewees' assessment.

Firm B no longer shows this feature of family privileges, because the professional who manages the firm is a non-family professional, considering that a family member was not found to manage the firm, as reported by the firm's founder, leaving the family only holding

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the positions to which they have skills and knowledge. This strategy is aligned to propose a diversity of family and nonfamily members involved in the ownership and management of the family businesses to prioritize objectives and their achievement (Nordqvist, Sharma, & Chirico, 2014).

In the strategic planning of Firms A, B, and C, it is possible to notice striking differences. The firm A seeks its strength in the market through branch openings and planned expansion, running a detailed market analysis in potential new headquarters, with the assistance of consultants and a team that analyzes all the local areas necessary for a good commercial stability. In firm B, there is a strategic planning based on market leadership in the region where they work, using only concepts such as customer service, structure, technology, and innovation. Without external marketing, the firm seeks local reliability to continue being the reference in all kinds of their markets. Although its focus is on continuing to be the best firm in the city where their headquarters are settled, their strategic planning includes expansion with the opening of a branch in a nearby city. No date was set nor they haste in implementing the process since they focus on local leadership continuity, as the interviewees report and claim. Firm C, in turn, does not have a strategic planning according to the relative interviewed. The firm seeks only to remain in the position where it stands, while keeping the contracts and the structure and working according to their current demand, with no plans for hiring managers or a strategic planning to improve and innovate the managerial techniques over the next five years. From the three firms studied, Firm C is the oldest one but has less grown in recent years.

It is possible to analyze that, in the organization where the family influence is stronger and more consistent, the conservative view of the founders promotes commercial, administrative and structural stagnation of the firm, causing the firm to go through the current crisis in a troubled way and without stability, unlike the other cases, which by means of planning or view, have remained solid and increasingly seek the market. As it was described in this paper, where the literature echoes the opinion of Leach (1993): when the family business transcends the steps of product-oriented or process-oriented development, the uniquely intuitive management must give space to the professionalization, based on planning and growth through strategic management methods. Moreover, aligned do Veloso and Grisci (2014), we noticed that family businesses adopt corporate governance improve their successful strategies. However, this process depends on the acceptance of family members,

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the emotional involvement, and definition of rules, structures and roles to minimize the conflicts in the relationships (Veloso & Grisci, 2014).

To highlight the results obtained with the report of the three case studies, Table 1 was created.

Table 1 – Summary of the interviews

| | **Firm A** | **Firm B** | **Firm C** |
|---|---|---|---|
| **Professional Experience** | 14 years on the market | 42 years on the market | 55 years on the market |
| **Characteristic** | Multi-family | Multi-family | Multi-family |
| **Generation** | 2nd Generation | 2nd Generation | 2nd Generation |
| **Founder** | Active Founder | Founder only active when working as an advisor | Active Founder |
| **Founder Profile** | Aggressive entrepreneur | Entrepreneur | Conservative |
| **Interviewees** | Sales Manager of Porto Alegre branch (not family) and the founder along with the successor. | Firm's Manager (not family) and founder and creator of the firm. | (Non-family) Production manager and successor (2nd generation) Production director. |
| **Firm's View** | They don't have one. | Being a benchmark in the State of Rio Grande do Sul in diagnostic imaging, by providing excellent service in a differentiated environment, with personalized and unique service. Promoting the personal and professional growth of the technical team and managerial staff. Seeking the constant innovation and technological modernization. | Being a quality standard in lubricating oils and social and environmental responsibility in South America. |
| **Relationship Business Family** | The firm does not mix family and businesses, is well structured and organized. | The firm does not mix family and businesses, is well structured and organized. | The firm still keeps the same values from the beginning of the foundation, has a traditional family business profile, where the family interests are discussed and influential within the firm. |
| **Non-Family Managers** | All the managers of branches. | Main Manager. | Only the coordinators of the departments. |
| **Strategic Planning** | Strength in the market with the opening of branches and planned expansion with market analysis. | Market leadership in the city; opening branches in the neighboring town in the long run. | They do not have one; they act according to the market demand and experience of the founders, without planning. |
| **Administrative** | Planned and guided | Planned and guided | Intuitive, according to |

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| | Firm A | Firm B | Firm C |
|---|---|---|---|
| **Practices** | | | the experience of the founders. |
| **Professionalization Level** | High - The firm is well advanced concerning the professionalization, but each branch manager has their own management approach; there is not a specific pattern for the branches. What will matter are the results. | High - A fully professionalized, standardized firm that is not related to the family in its processes. The family does not interfere with the execution of the services. | Low - the firm is not professionalized, does not follow a pattern, does not have a routine, follows the demand and the influence of the founders. |
| **Difficulty of Family Members** | The founder and the current manager of the firm claim that they do not have problems and even find the relationship quite healthy because they are opinions that do not involve family or familial tendency. They state that the major difficulties are connected to the peculiarities of each region. | The founder thinks there is no trouble between him and the non-family manager, given the good results, and considers this manager as a member of the family. | The family manager believes that the greatest difficulties are the conservative view of the founders, who paralyze the decisions, are centralizers and are not aware of the market changes. They have no interest in professionalizing the firm. |
| **Difficulty of Non-Family Members** | Communication, overconfidence. Lack of feedback, nepotism, family matters, an excess of intimacy. | Overconfidence. Personal involvement, lack of feedback, lack of meetings to show the incomes. | Communication, favoritism, lack of interaction between families, a difference of opinion, lack of commitment, centralization of decisions, lack of confidence. |

Source: created by the authors, 2017.

Based on what was exposed on Table 1 and according to the reports and analysis of the interviews, we can mention the strengths, weaknesses and common issues between the firms so that we can get a better understanding of the results.

We can mention as strengths: all firms have a single and centralized command; the managerial and operational structure is considered as “lean”; the three firms have a loyal and dedicated internal organization; the strong appreciation of mutual trust, regardless of family bond, which is also a common feature among the three firms; all of them can keep the group interested and united around the founder, and they have a greater sensitivity to the well-being of the employees.

As for weaknesses of these three firms, it is possible to mention the difficulties in separating what is intuitive/emotional and rational, tending more to the first. The requirement of exclusive dedication of the family, prioritizing the interests of the firm, is also emphasized

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as weakness of assessments; extremely strong emotional ties influencing affecting the behaviors, relationships, and decisions, which is very common in family businesses, beyond the expectation of high employees' loyalty, lack of communication and feedback – these were considered weaknesses because of the importance that these have on the development of the process of professionalization.

Therefore, and given the information collected in the interviews, we can emphasize that the interviewees assigned the difficulties of the professionalization in the firms to some common factors between them, such as lack of feedback, overconfidence, miscommunication, and favoritism. These characteristics were shown and confirmed in the interviews. However, it is important to consider the heterogeneity of family firms as a class of organizations, mainly about the different kinds of governance (Nordqvist, Sharma, & Chirico, 2014). It is evident that, despite the difference of the lifespan of each firm, the common points are the same, and the difficulties in the process of professionalization, as mentioned by each interviewee, are also similar regardless of the stage of the process.

## 5 Conclusion and Final Considerations

Our study was developed with family businesses with non-family managers, aiming to analyze how family businesses formulate their strategies to optimize the use of their resources and the risk reduction during their professionalization process. Two managers of each firm were interviewed, with one being a relative and the other not being related to the family. All firms were in their second generation, with different lifespans. Regarding these three firms, we observed that governance in the family business is important for prosperity, good management, and resolution of problems. A process of decentralization is established to delegate the management and daily activities of the firm to a hired manager, whether is known or not by the family. However, the process of decentralization of power in the firms causes changes in the way they manage, professionalize, and plan their strategies, which becomes an obstacle to a conservative firm. Most family businesses have as their main manager the owner of the firm itself, which often can cause problems in the administration. The management’s behavior and the degree of family's influence are decisive factors for the entrepreneurship of the family businesses while being developed. Intrinsic characteristics of the manager, as age and stability, and the degree of the family's influence in the family business can interfere with the performance of the business. Thus, the separation of the interests provides the manager a balance between managing the firm and the interests of the family.

As previously mentioned, the interviewees assigned the difficulties of the professionalization to some common factors between them, such as lack of feedback, overconfidence, miscommunication, and favoritism. It is evident that despite the difference of the lifespan of each firm, the common ground is the same, and the difficulties in the process of professionalization are also similar regardless of the stage of the process.

Regarding future studies and looking at the impact of these changes in the processes of the organizations studied here, it is believed that there is much to explore in this sense. As a suggestion, it is recommended the expansion of the number of firms to be studied, which would increase the possibility of other significant analyses and, consequently, significant results. Finally, this research is ended by highlighting the importance of permanent attention to the processes of management and professionalism in family businesses, especially the professionalization, aiming at the best practices in management, greater competitiveness, profitability, market share and, consequently, the perpetuity of the family businesses.

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# APPENDIX A - SCRIPT OF THE INTERVIEWS

With the aim to investigate and to analyze the processes of management and professionalization of small and medium-sized family businesses. We would like to ask you to answer the questions below. This instrument aims to understand and to relate the repercussion of these processes in the organizational reality of the family businesses researched here.

**Identification of the firm:**

1. When was the firm founded?

2. How was the firm founded?

3. In which generation the firm is:
   ( ) 1st Generation ( ) 2nd Generation ( ) 3rd Generation ( ) Other____________.

4. What is the size of the firm:
   ( ) Small ( ) Medium ( ) Large

5. How many collaborators work at the firm?

6. How many family members are shareholders (partners)?

7. Is there any shareholder that is not part of the family?

8. How would you describe the profile of the founder of the firm?

9. How would you describe the profile of the current family manager of the firm?

10. How many family members are involved in the management?

11. Are the positions with greater decision-making power held by family members?

12. Is there any characteristic that stands out in the firm?
    ( ) Strong appreciation of mutual trust, even though there is no family bond.
    ( ) The emotional ties influence the behaviors, relationships, and decisions of the firm.
    ( ) Beyond normal dedication is required.
    ( ) Others ___________________________________.

13. Is there any specific rule/characteristic in your firm that you don't see in any other firm?

**Identification of the interviewee:**

14. Which of the sectors below are you responsible for:
    ( ) Finance ( ) Accounting ( ) Sales and Marketing ( ) Other: ____________. ____________________

15. What is your current position:

( ) Coordinator ( ) Manager ( ) Director ( ) Other: __________.

16. How long have you been working at the firm?

17. (Non-family) Why were you hired?

18. (Family) Why did you begin working at the firm of your family? Was it a choice?

**Professionalization:**

19. Is there a strategic planning? Is it formal? Is it organized? Explain how it is. If not, why does the firm not have it?

20. Does the firm have clear policies, goals, and plans? On a scale of 0-5, what is the level of clarity?

21. How is the organizational routine of the firm?

22. How does the strategic management take place?

23. Do you believe that the employees who are part of the nuclear family are prepared for the positions they hold? Why?

24. What are the administrative practices like? Does the firm adopt more rational or more intuitive methods?

25. When it comes to changes, how do the family members and non-family members behave?

26. Which of the departments below presents the most difficult conflict? Why?
    ( ) Finance ( ) Sales and Marketing ( ) Others: __________.

27. Are family matters handled inside the firm? In which level? How intense? How often?

28. In all family businesses, there are different views among the family members. How are family matters handled inside the firm? (You can choose multiple answers)
    ( ) By having specific meetings to discuss these matters
    ( ) These matters are discussed in periodically organized meetings
    ( ) They are discussed in informal meetings between the involved parties
    ( ) They are not discussed

29. How do the decision-making processes take place in the firm? Is there an administrative council or meetings?

30. - What were the difficulties regarding the professionalization of the processes in your opinion?

31. What were the difficulties regarding the **family managers**? (Non-family)

32. What were the difficulties regarding the **non-family managers**? (Family)

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# APPENDIX B - TABLE OF QUESTIONS

| Author | Topic | Questions |
|---|---|---|
| | Identification of the firm | When was the firm founded? |
| Bernhoeft (1989) | Identification of the firm | How was the firm founded? |
| | Characteristic | In which generation the firm is now? |
| Donnelley (1967) | Concept | What is the size of the firm? |
| Bernhoeft (1989) | Characteristic | How many collaborators work at the firm? |
| Bernhoeft (1989) | Characteristic | Is there any shareholder that is not part of the family? |
| Bernhoeft (1989) | Characteristic | How would you describe the profile of the founder of the firm? |
| | Characteristics | How would you describe the profile of the current family manager of the firm? |
| | Characteristics | How many family members are involved in the management? |
| Rocha (2001) | Concept | Are the positions with greater decision-making power held by family members? |
| Bernhoeft (1989) | Concept | How many family members work at the firm? |
| Bernhoeft (1989) | Characteristic | Is there any characteristic that stands out in the firm? |
| Drucker (2001) | Characteristic | Is there any specific rule in your firm that you don't see in any other firm? |
| Padula (2002) | Professionalization | Is there a strategic planning? Is it formal? Is it organized? Explain how it is. If not, why does the firm not have it? |
| Padula (2002) | Professionalization | Has the firm established clear policies, goals, and plans? |
| Freitas and Frezza (2005) | Professionalization | Does the firm have an organizational routine? |
| Leach (1993) | Professionalization | How does the strategic management take place? |
| Leach (1993) | Professionalization | Are the employees who are part of the nuclear family prepared for the positions they hold? Why? |
| Lodi (1998) | Professionalization | What are the administrative practices like? Does the firm adopt more rational or more intuitive practices? |
| Lodi (1998) | Professionalization | When it comes to changes, how do the family members and non-family members behave? |
| Leach (1993) | Professionalization | Which department presents the most difficult conflict? Why? |
| Leach (1993) | Professionalization | Are family matters handled inside the firm? |

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| Author | Topic | Questions |
|---|---|---|
| | | In which level? How intense? How often? |
| Gehlen (2006) | Professionalization | In all family businesses, there are different views among the family members. How are these views treated in your firm? |
| Leach (1993) | Professionalization | How do the decision-making processes take place in the firm? Is there an administrative council or meetings? |
| Leach (1993) | Professionalization | What were the difficulties regarding the professionalization of the processes in your opinion? |
| | Conclusion | What were the difficulties regarding the family managers? |
| | Conclusion | What were the difficulties regarding the non-family managers? |