A Work Project, presented as part of the requirements for the Award of a Master's Degree in Management from the Nova School of Business and Economics.

Planning for Succession at Hidroconcep - a family owned business.

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Abstract

The following Work Project has the purpose of advising the *Simões* family to plan for the future. It introduces the family and the family business Hidroconcep. Academia suggests that only 50% of family business are successfully transferred to the 2nd generation. Committed to ensure Hidroconcep's effective succession to the next generation a draft of a Succession Plan will be elaborated taking into account the inputs from the literature review and qualitative data collected from the family members. After presenting and discussing the first draft a revised version of the Succession Plan will be elaborated considering the recommendations of the members involved.

Keywords: Family Business; Succession; Succession planning; Ownership

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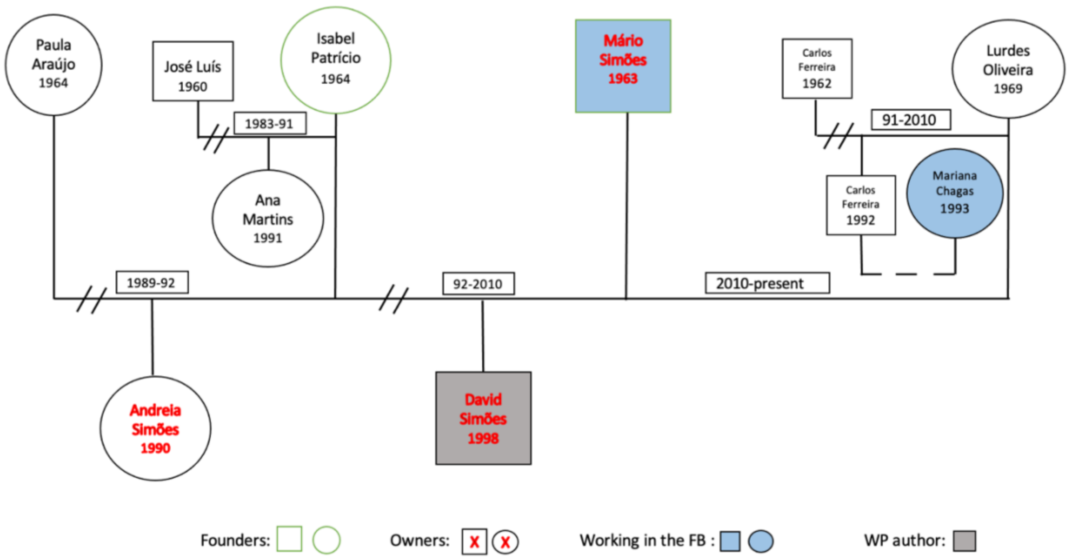
Part 1: Introduction and background of the family and the business

Family Organization

Simões family suffered some changes through time, initially Mário married Paula and Andreia was born, in parallel Isabel married José and Ana was born. Both Mário and Isabel divorced from their old companion, which led to Mário and Isabel to meet each other and start a relationship from which David was born. Parallel to their relationship they also founded Hidroconcep. Eventually, Mário and Isabel divorced from each other and right now the following Genogram depicts the organization of Simões family at its present state.



Foundation history

Hidroconcep-Conceção-Construção,Lda it's a Portuguese firm, founded in October 1994 that operates in the construction sector. Their founders (Mário and Isabel), assumed different roles and tasks within the business. Mário is a civil engineer, and he is responsible for managing all day to day activities in the field and also responsible for all the tasks that concern specific engineering knowledge, such as the development of projects, budgets, calculations among others. Isabel, with previous experiences in the construction sector, was responsible for the administrative part, including everything that concerned contacting and dealing with suppliers and clients, salaries processing, billing elaborating among others. In its legal format the company was set as private limited company, meaning that it is privately held, and the structure limits the owner's liability to their shares and restricts shareholders from publicly trading shares.

Ownership structure

In the beginning the ownership structure was divided into 2 parts, with Mário having a 90% share and Isabel with a share of 10%. When Mário and Isabel divorced, Isabel ended up by leaving the company. Situation that caused a change in the ownership structure of the firm and consequently changed the business structure. This was the trigger for the 2nd generation of the business, Mário's children, to start getting involved in the ownership structure. Currently, the ownership structure is divided into 3 parts: one shareholder with 80% (Mário) as owner-manager, and 2 shareholders (David and Andreia) each with 10%.

Company characteristics

Moving forward and analysing the company's specific characteristics, according to what Decreto-Lei nº372/2007, from 6 of November, stipulates, this company fits within the Small Medium Enterprise (SME) designation. Currently it employs 10 people of which one of them is a family member. The main activities developed by the company are civil construction works and public works, buying and selling of properties and buildings. Through the development of its main activities, the firm has been able, in recent years, to carve out its niche in the market.

In practical terms, the firm buys land, develops a project, constructs it with own funds and then sells it. In this process the company acts independently from other players, which results in a higher bargaining power towards suppliers, higher degree of flexibility and speed. Since the firm does not depend on external credits its liquidity is assured at all times, avoiding the risk of having to sell assets at lower prices to repay debt. The firm's independence and what results of it evidences one comparative advantage of the firm.

Performance

In terms of performance, after years of hard working a lot of commitment and dedication in 2009, the firm was attributed with the award "PME Líder" and in 2010 was awarded with the "PME Excelência" an even higher recognition. Both awards distinguish the companies that performed better in those civil years by setting certain criteria the firms have to meet. The awards are attributed by IAPMEI[i] in a partnership with Turismo de Portugal [ii]and several banks. To be able to receive the 2009 "PME Líder" award, the firm had to have its financial situation with Social Security, with the Fiscal Administration, with IAPMEI and Turismo de Portugal regularised. Moreover, the company's risk profile in the partner banks had to be a higher rating profile, alongside with 2008 closed accounts: (i) Growing of the business volume or (ii) net positive results and (iii) Financial Autonomy > 20% (Equity / Liquid Assets). To be able to receive the 2010 "PME Líder" award, the firm had to belong to PME Líder group but meet the following additional criteria:

a) Belong to the first 2 levels of rating (AAA or AA), based on the Annual report of 2009.
b) Meet the following financial criteria, supported in the 2009 financial statements:
    i) Financial autonomy (Equity/Assets)>=35%;
    ii) Growth of the business volume compared with 2008 >=5%;
    iii) Equity Profitability (Net results/Equity)>=10%;
    iv) Assets profitability (Net results/Liquid Assets)>=3%

For confidentiality reasons, the Owner-founder does not allow the disclosure of the company's financial indicators.

Part 2: The Transition phase:

Hidroconcep is moving towards a big change. With the years going by, and the present owner-manager getting to an age on which he starts thinking and planning his retirement the thoughts should be concentrated in Succession, who will assume his role and tasks. The recent join of Mário's children (Andreia and David) in the ownership structure of the company is the first step of the transition the firm will go through. Succession presents itself as one of the most important topics in family business since it has implications on various aspects at the same time, influencing the socio-economic, the business, the family and personal spheres. Succession is central to firm's existence so the future of the company is depending on how effectively this transition will occur and on how well the succession process flows. Acting as the principal keystone of Succession, the developed Succession Plan will ensure that this transition goes as smoothly as possible by taking into account every important aspect that matter for this family and firm specific circumstances.

Part 3: Literature review

Family Business

Family businesses are very special in their nature since they suffer influence from different "variables" when compared with non-family businesses. This results in different definitions for family business and non-family business. There are several ways to define a family business, some more formal and some more practical. One working definition state that, a family business is a synthesis of: ownership control by two or more members of a family or a partnership of families; strategic influence by family members on the management of the firm; concern for family relationships; ambition of continuity across generations (Poza, 2014). The author likes to think about family business in the same way as Ursula Von der Leyen, President of the European Commission – "Think of the family-owned businesses all across our Union. They were not built solely on shareholder value or next bonuses. They were built to last, to pass down generations, to provide a fair living to employees. They were built on passion for quality, tradition and innovation". Family businesses represent an important and growing part of the economy.

Globally, more than 30% of large companies are family-owned (BCG) and they constitute 80-98% of all businesses in the world's free economies. It's estimated they generate 70-90% of the global GDP annually (Global Data Points of the Family Firm institute, 2016) and they employ more than 85% of the working population globally. In Europe family businesses account on average 40-50% of all jobs of European private employment (European Family Business) and in Portugal they account for 80% of all business in the country, generate 60% of the Portuguese GDP and 50% of the employment (Livro Branco da Sucessão Empresarial) which ultimately shows how important they are for the economy. Family businesses are indeed performing well, their ROA (return on assets) averages a 6.65% greater return than non-family firms (Family Firm Institute,2010). From 1997 until 2009 a broad index of publicly traded Family Business in Western Europe and in the U.S. achieved total returns to shareholders two to three percentage points higher than those of the MSCI Index (Mckinsey Quarterly, January 2010).

But not everything is good news, the available statistics show that only 50% of the family-owned business are successfully transferred to the 2nd generation and among those, only 20% survive under the ownership of the 3rd generation (Livro Branco da Sucessão Empresarial). When referring to family business there is a proverbial expression about the "3 generation rule" in a more common way "Shirtsleeves to shirtsleeves in three generations", which ultimately means that the 1st generation creates the business, the 2nd lives at his expense and the 3rd destroys it. Family Businesses are, in summary, complex entities bound to a mixture of advantages and disadvantages, costs and benefits, strengths and weaknesses and their ultimate challenge is the succession planning, ensuring a smooth transition between generations, while sustaining its success and building an enduring legacy.

Family Business- The Systems theory (three-circle model)

Combining family and business is often seen as a challenge. Relationships in families are emotion-based on which the intervenient parts want to establish deep and meaningful ties among them, they tend to be inward-looking, where long term loyalty is highly valuated whereas, in business, emotions cannot be the guide of relationships. In business, relationships are established through contracts on which it is agreed that people will perform a certain job in exchange for a certain remuneration. They tend to be outward-looking meaning that what matters is what the individuals are capable of performing and how effectively they can perform it. When linking both together, the family and the business, in order to avoid conflicts and negative consequences for the company, the ability of taking a step back and to become an observer of the family business as a system is highly important.

It is here that the 3-circle model enters. In its essence this model allows to look to a family business as a system, system on which there are 3 sub-systems, the family, the business and the ownership, which are independent but overlapping systems. By looking to it as a system, it allows the understanding of the unique dynamics lived within a family business and it also allows to understand what is the role of each member involved in the family business is, by looking at each one of the 7 sectors among the 3 circles (Tagiuri and Davis) (see Appendix: Images; Figure 1). Since there are 7 places on which one person can be, this may lead to problems related with the way people perceive the same reality, meaning, perspective issues.

Different stakeholders look to the same reality in different ways, which ultimately can lead to problems of perspective, so in order to avoid such situations, communication and decision making within and across the 3 circles is necessary. Through communication, the varying viewpoints can be discussed, grouped and reconciled, which ultimately preserves the harmony within the family business. Besides that, if the boundaries between each circle are not well defined or are becoming blurred, problems of overemphasis on one circle and difficulty to determine whether a decision relates to family, business, or ownership can arise. Such situation affects problem-solving ability, both in terms of quality and speed (IFB). So once more, communication is a key solution for these types of problems.

Nevertheless, it's worth saying the 3 circles evolve through time, meaning that they accompany the changes felted within and across each of the circles, either changes in each one of the subsystems or changes in the influence that one subsystem has in other. The proper understanding of this dynamics is very important since the interactions of a family business are depicted in each 3-circle model of each family business.

Succession in Family Business

When thinking about the definition of Family Business, one of its characteristics is the will to preserve the business and pass it on from generation to generation. In terms of family business succession definition, it has been defined as "the passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a 'professional manager'"(Beckhard and Burke,1983,p.3). Researchers tend to agree that succession is more a process than an event (Churchill and Hatten,1987; Farquhar,1989; Friedman,1987; Gilmore and McCan,1983; Gorden and Rosen,1981; Handler,1990; Longenecker and Schoen, 1975,1978; Vancil,1987). Succession is not simply a single step of passing the "baton", it is rather a multistage process that exists over time, beginning even before heirs enter the business. Transferring control of a business represents a critical managerial challenge, the significancy of this challenge arises from the fact that it is a once-in-a-lifetime event for many entrepreneurs, but also because in requires the consideration of a wide array of issues, including financial, strategic, juridical, tax and socioemotional issues, evidencing the fact that succession is a demanding and complex process, that must be treated with rigor, transparency and most of all time. There is even a consensus, among researchers in the field of family business, that succession is the most important challenge faced by family-owned firms. On a survey conducted by the BCG (2015), succession was ranked the second most important topic by family business leaders.

Succession is so central to the firm's existence that there is even a definition of family business in terms of succession- "we define family business as one that will be passed on for the family's next generation to manage and control" (Ward,1987). Alongside with this, researchers also agree that continuity of the firm from one generation to another depends highly on succession planning (Christensen,1953; Dyer,1986; Handler,1989; Lansberg,1988; Rosenblatt, de Mik, Anderson, & Johnson, 1985; Tashakori,1977; Ward,1987). Family business scholars tend to link succession with a parallel transfer of ownership and management of a firm from one family generation to the next.

Despite of this, in order to access the various succession options available to a family firm, Zellweger (2016) developed a two-dimensional typology that allows the distinction between ownership and management transfers, and whether the transfer of control takes place inside or outside the family. With it, the following succession options were identified (see Appendix: Images; Figure 2). One important consideration relates to the availability of these options, that are contingent on the firm itself, its size and profitability. Nevertheless, despite all of the succession options identified in Figure 2, there is one strategy that was not considered that is the "do nothing" strategy. Of course each option has its own advantages and disadvantages, opportunities and challenges, but research found that succession planning is often not done by family firms (Christensen,1953; Handler,1989; Hershon,1975; Lansberg,1988; Tashakori,1977; Trow,1961;Ward,1987), this "do nothing strategy" despite being the least logical, the most costly and the most destructive of all options, is yet the most popular, a highly contradictory finding. This finding regarding succession planning is commonly known as the "elephant in the room", which means that despite recognizing the importance of selecting and preparing a successor, the family business leaders often don’t give succession planning the attention it deserves (BCG,2015). Family business leaders have to deal with a range of complex and interrelated processes (psychological, emotional, individual, organisational and external).

When trying to understand this paradoxical finding about why there is reluctance regarding succession planning, Lansberg grouped several factors and put them into the following categories: Owner factors; Family factors; Employees and general environment factors. Within the Owner factors category its present the: Fear of mortality; Reluctance to let go control and power; Loss of identity; Bias against planning; Inability to choose among children; Fear of retirement; Jealousy and rivalry (not trusting anyone else to be able to do it) and Avoiding a difficult choice. Among the Family factors there is the: Spouses’ resistance to change; Family taboos and Fear of parental mortality. Within the Employee and general environment factors there is: Job insecurity and External worries about change. By looking into these factors, it becomes clearer why family business leaders are reluctant to succession. Nevertheless, this reluctance should be overcome through the opening of the communication channels within the family, so that its members can address this topic freely, together and in different groups.

Successful transitions

Failure to plan strategically for the future of the firm is a major reason for the demise of the family firm (Ward,1987). The consequences of not focusing on succession can be profound and undermine the firm’s performance. Actually, poorly planned successions are among the biggest value-destroying events for family-owned firms (BCG,2015). One survey done by BCG shows that both Growth, Market capitalization and EBITDA margin of firms that have had planned transitions are 14% points, 28% points, 4,4% points higher, respectively, than in firms with unplanned transitions (BGC analysis of more than 200 transitions that occurred from 1995 through 2014). Meaning that value is destroyed by unplanned transitions, with potentially catastrophic consequences for the firm (BCG,2015).

There are several key elements that characterize an effective successful transition. The first relates to the fact of breaking the taboo. Family business leaders are not the only ones that often ignore succession planning, people around the leader's often conspire against it, so in order to mitigate this, families should talk openly about death and illness, they should take the opportunity to question any previously conceived assumptions and should start addressing this topics early. Secondly, start planning early allows the selection and grooming of the best candidate which is a critical part of the planning process (Ward,1987). Besides this, during the transition the aim is for the owner to gradually start separating its identity from that of the business and become accustomed to new perspectives and a new role, situations that require time (IFB). Furthermore, the significant uncertainty about the feasibility of the preferred succession options should be taken into account by incumbents that also should consider various options and exit scenarios and sort them along a timeline (Zellweger,2016).

Discover expectations and examine options is the next element, on which it is considered all possible scenarios and their viability is measured against expectations and capabilities of the participants. Moving forward, next it should be considered the preparation of the next generation. Next generation members need a chance to fulfil their career interests, to be their own persons, and to explore (in the teens and twenties), advance (in the thirties), and seek balance (in forties) within the context of the family business (Handler, 1989). There should be a match between the firm's needs and the skills and overall ability of the next generation member necessary to perform the job (Lansberg,1986). Often, when entering the family firm, it is seen that "a family member is required to earn his position" (Donnelley,1964, p.105) and it is at that time that the degree of responsibility it took is easily measurable.

Concerning the entrance paths for family successors, either a successor enters at the top management or at the bottom. These straightforward strategies have some downsides that can be mitigated if an intermediary approach is used. In its first phase, the successor gains experience outside the firms with the purpose of acquiring as much as management experience and knowledge as possible, learns what it takes to run a firm and sees whether a job at the top suits him/her. This outside experience it's a signal of professional experience for the members of the family firm when the successor joins the family business. In the second phase, the successor will receive firm and successor specific training within the company as a preparation for a leadership role. During this phase the successor works temporarily in the key departments so that it can familiarize him/herself with the firm, its operations and crucial employees (Zellweger,2016).

Ensuring that training as effective results, an assessment of the individual should be conducted, involving performance review and appraisal (Danco,1982). In the last phase the successor assumes a top position, that is dependent on the jobs available and career planning for other top executives (Zellweger,2016). Coming back to the main point, the characteristics of a successful transition, it should be considered now that encouraging cross-generational teamwork also contributes positively to successful transitions (IFB). The degree to which the CEO is involved in the planning process has influence in the outcome of the succession process (Friedman's,1986). This suggest the importance of having not only a good working relationship between the owner and the next generation but also the active involvement of the owner in the succession process. Older generations should become coaches and mentor the next generation, leading to a staged shift of responsibility and control over time (IFB). The parallel involvement of the incumbent and successor represents a unique opportunity to pass on relevant resources, such as knowledge and networks (Zellweger,2016).

Having a written succession plan is another characteristic of a successful transition. A succession plan is a written formal document that provides for the continued operation of a business in the event that the owner or a key member of the management team leaves the company, is terminated, becomes incapacitated, retires, or dies. It details the changes, step-by-step, that will take place as leadership is transferred from one generation to the next. It specifies who has decision authority and defines the changing roles and responsibilities along the whole succession process, through the defining of sequential transfer of governance and functional roles (Zellweger,2016). It is a document that everyone is aware of, and has been consulted about, which significantly reduce the potential for doubts and misunderstandings (Inc. & IFB).

Of course, things not always go as previously planned, since uncertainty its always present it makes planning often a messy process rather than an orderly predicted progression. Managing succession means preparing for setbacks and being flexible enough to make adjustments and to take a new approach if necessary. Continuing, an effective succession also counts with the insights provided by different stakeholders. Among those there are the board of directors (if exists), peers, next generation members, family, senior managers, family business consultants and other professional advisors. External opinions give different perspectives regarding the same reality, they contribute for the broadening of horizons of the decision maker(s) and help them to gain notion about what they don't see but the others do.

Finally, effective successions also present themselves as opportunities for the renewal of the family's values (what a family and its business stand for) and vision (the shared sense of where the family and its business are headed). It's during this times that a renewal of a coherent ownership vision is required, and it is accepted among the ones that are more reluctant to its change. Through this it is ensured that there is no risk of having outdated policies and positions taking root within the family-firm. Both values and vision play a very important role in the source of strength and resilience for the family firm, they are indeed so important that there are many family businesses that have achieved competitive advantage through a values-driven approach.

Part 4: Practical data collection

Process description

The author decided to conduct individual interviews with the founder (Mário) and with one of the next generation members (Andreia). Since the author is one of the next generation members, a self-reflection was made to collect his inputs. The interviews were conducted by the author, with the objective of collecting practical inputs and see what the thoughts of the interviewees regarding the Succession topic are. Taking into account the nature of the relationship between the interviewer and the interviewees, the interviews followed 2 steps.

In first place, before each interview each interviewee had to complete the Social Desirability Scale test devised by Crowne and Marlowe to assess their tendency to produce socially desirable responses. This test provides some level of guarantee regarding the honesty behind their answers.

In second place, the interviewees were asked a set of 7 questions (see Appendix: Interviews Guides) addressing the Succession topic in general and relating it with concrete case of Hidroconcep. The questions were based on a combination of the author inputs, inputs provided by a Nova SBE doctoral student, reflection questions from the book Managing the Family Business, Theory and Practice, by Thomas Zellweger, and questions from the question set to be found in the Family Business Resource Center in *Family Business Succession Planning: A 10 step guide*. Both interviews lasted approximately half an hour.

Part 5: Interviews Sessions

Sessions results & analysis

Incumbent founder session

The incumbent revealed a high degree of concern in what regards his descendants wellbeing and future stability but also revealed he has never thought about the company's succession due to the fact that neither of his descendants pursued a degree in Engineering or any other related area, if they did the succession would be a natural process. The incumbent shows a general understanding of what a succession plan is and what phases it should go through, showing also his availability to actively participate in the development and integration of one in the company but under one inviolable condition, that is, what is agreed and established now has to rigorously be followed in the future.

The main objective the incumbent expects to achieve with succession is the firm's perpetuation through time with an improvement or at least the maintenance of its financial health. Despite not having identified any specific obstacles to overcome, he referred the importance of having controlled risk so that any decisions that need to be take, allow the obstacles overcoming without putting in risk the firm's existence and continuity over time. If conflicts or problems of any nature arise, they should be rapidly addressed, talked in a healthy way with frontality honesty and sincerity. Minimizing the probability of having, in the future, conflicts among his descendants, the incumbent proposed the definition of who is in charge of what, what their responsibilities are and what roles each will have.

The incumbent's successor must be a complete person with good communication and leadership skills given the company's dimension and sector of operation. Since none of the next-generation members has specific engineering knowledge, the incumbent recognizes the need to involve, sooner or later, one external member to the family to replace him in the role of chief-engineer, emphasizing the importance of constantly monitoring and supervising him.

The incumbent exposed his sadness of sooner or later having to pass 'the baton', which is an expectable finding since the firm and the performance it has now is the product of 26 years of hardworking. The biggest desire he has is to achieve happiness and do things until now he didn't have the opportunity of doing. The incumbent defined the firm perpetuation alongside with its performance improvement and the maintenance of the company's values as the base of a successful succession, focusing on the importance of following them on a day-to-day basis, ensuring the firm keeps its identity and continues running. The incumbent wants to step back from the firm through a gradual process of exit that will follow specific steps. His ultimate goal is to accompany and help in with the successor integration with suppliers, clients and workers. The success of the successor integration and of the succession process depends a lot on the way the successor is presented and also on the quality of the work he develops.

Next-generation member (Andreia) session

Andreia is a dentist and wants to grow and make career as a dentist, recognizing that most of her time will be dedicated to her profession but simultaneously demonstrating will of participating actively in the management of the company, namely, in the real estate area and in the project development for a property the firm owns since these are areas of her interest that don't require specific engineering knowledge to be involved into. Taking into account her main attributes and her ability to provide new ideas and start new initiatives, it is in these areas she feels she can contribute more and add value to the firm. In fact, she admits that only now the company started to have meaning and to make part of her life, given her recent involvement in the company's affairs and new entailment towards the company.

Andreia demonstrated to have some level of understanding in what concerns the phases a succession plan must go through and showed availability to actively participate in the elaboration and implementation of one in the company, recognizing that if succession is not addressed and thought trough it might have catastrophic consequences for the firm. The main objectives Andreia expects to achieve with succession are the assurance of the firm continuation and its success, its technological modernization and digitalization alongside with the business dynamization, namely, its diversification to other sectors. Anticipating some obstacles related to employee's commitment Andreia purposed the diversification of the compensation methods with the objective of motivating them. She also anticipates the arising of some conflicts related to sharing of the company's ownership with the author, in the future, so she suggested that both should have shared responsibilities now so that they can adapt and learn how to deal with each other better.

She suggested the creation of owner's council to solve conflicts and to value any positive actions, on which the 3 owners can talk openly and frontally with each other. In her perspective, the successor must be organized, dedicated, intelligent, committed, ambitious and empathic. Alongside with this since her and the author don't have technical engineering knowledge, she recognized the need of integrating an external element to the engineer role, his integration should follow specific steps so that it results in the best possible outcome to the firm. The objective is to find someone reliable that wants to stay and grow with the company through the years. For her, the company perpetuation and growth are in the base of what defines a successful succession, as also the preservation of the legacy left from the founder.

Author's self-reflection

At the time the author entered to University in 2016 he realized he wanted to continue with the family business after the founder leaves it. After 4 years, he still has the same desire, but has a more concrete idea of what he wants now and the implications that continuing with the firm brings about. The author has a degree in Economics, and he is completing his International master's program in Management, so he does not have any specific Engineering background, which means he can't replace the founder at 100%. From this fact the author recognizes the need of integrating one external element to the family to replace the founder in the role of chief-engineer. A decision of this type divides the succession in 2 major parts, leadership/management succession and ownership succession.

The author's wish is that the ownership of the firm continues entirely detained by the family, so in terms of the ownership succession it's a family internal succession. On the other side, the management/leadership succession, the will is to integrate an external element to perform the role of chief-engineer, but at the same time, the author has already had summer jobs in the firm, which allowed him to get to know the works and learn how to deal with them, moreover, the author has a notion of how the worker's supervision must be so that they are productive and has a notion of how long it takes to perform certain tasks. This being said, the will is to have a combination of both an outside engineer and the author and the other next-generation member managing the company, ending up with a mixed management team in the leadership/management succession. The chief-engineer would be in charge of every matters that concern specific engineering knowledge, thus a more technical side of the management. The author would like to be in charge of workers supervision to see if they are being productive, wants to deal with clients and suppliers, invest in the developing of the firm's marketing, and be involved in the development of projects in the property the firm owns that has capacity to receive several different types of projects.

The author anticipates the need of creating governance bodies for the firm, if the other members agree with that, the author would be the one in charge of presenting such proposal to the other members, since he is the one with more knowledge in that area. This is the plan the author has when the founder leaves the company, given that the founder is still involved, the author has the desire, after finishing his master's degree, to pursue a career outside his family firm, for at least 5 years, with the objective of gaining experience and also to be involved in different areas from those on which the company operates. After gaining outside experience, the author would start his integration in the company, with the aim of following what will be defined in the revised version of the firm's succession plan. The big desire the author has, is to assure the firm's perpetuation through time alongside with a diversification of the firm's assets portfolio and to diversify the its spectrum of operation.

The firm owns a large property with capacity to implement several different projects, such as rural tourism with a restaurant and a rooftop bar, a space to host events like wedding's and christenings or even an adventure park , there are several different options that can be followed, and the author feels that it is there he can contribute more for the company dynamization since it's a project that needs to be started from 0. It is there that the author wants to start contributing to the firm, this because, at the time the project for the property starts going on, the founder will still be in charge of the construction area, so he will need help to develop the project, which means it's there the author as more margin to positively contribute to the firm taking into account his management knowledge.

The author is aware of his strengths and capacities, so the will he has to join the family business comes from the alignment of his and the company's interests. The author **wants to** join to his family business, and such type of commitment can be defined has an affective commitment. Zellweger (2016) states that Affective commitment is based on a strong belief in and acceptance of the organization's goals, combined with a desire to contribute to them and the confidence in one's ability to do so. In essence the successor *'wants to'* pursue such a career. Affective commitment should be more pronounced when the next-generation family member's career interests and identity are aligned with the options and the identity of the firm.

Furthermore, the author recognizes the need of learning the more he can with the founder, not only practical management related skills, but also to acquire as much as engineering knowledge as possible. Considering the author's young age, he recognizes his limited work experience and recognizes the need of constantly keep learning after finishing his master's degree.

Part 6: Succession Plan elaboration

Process description

After analysing the inputs collected from the interviews and from the author's self-reflection and taking into consideration the concepts and frameworks from the literature review, the author proceeded to elaborate a first draft of the Succession Plan, based on 9 topics (see Appendix: Starting Points for the Succession Plan). Then, after developing the first draft, the author organized a meeting with the incumbent and with the other next-generation member on which the 3 together analysed the author's proposal, discussed it and assessed what needed to be clearer and improved. Finally, after the meeting, the author developed a revised version of the Succession Plan, taking into account all recommendations and inputs withdrawn from the interviews and the meeting.

Elaboration of the revised version of the Succession Plan

The revised version of the Succession Plan for Hidroconcep incorporates main decisions and goals that are desired to achieve with succession. Through the anticipation and identification of some important aspects, the following plan was elaborated. The author divided the plan into tasks and in 3 different types of decisions.

Ownership Decisions	Main decision makers	Timing
Each next-generation member will own equal % percentages of the company	Founder	When the founder dies, his % of the company will be equally distributed
Creation of an owners council	Founder Next-generation members	Start in 2021, and do at least 2 councils per year, one in the middle of the year and one in the end of year.
Consider the integration of a new member in the ownership structure	Founder Next-generation members	At the time the new chief-engineer assumes functions

Leadership/Management Decisions	Main decision makers	Timing
Creation of Exit and tiebreaker systems	Both next-generation members	Decide it in 2021 and adjust it as the years go by if needed.
Hiring the new chief-engineer	Founder Next generation members	Do it in 2022 or 2023
Executive management: author's responsibility. Non-executive management: Andreia (one of the next-gen) responsibility	Founder	At the time both enter the firm
Author assumes functions in the company	Founder Author	The entrance is expectable to happen in 5 or 6 years from now
Participation in training programs for family firms	Founder Next generation members	Start in 2022
Founder starts passing the executive management to the author and to the chief-engineer	Founder Author Chief engineer	Expectable to happen 5 years after the 3 decision makers are working together
Founder assumes the role of advisor	Founder	After passing the executive management to the author and chief engineer
Investment Decision	**Main decision makers**	**Timing**
Invest between 150k-200k in the firm's property	Founder	Start in 2021
Choose what project to implement in the property the firm owns	Founder Next-generation members	Decide it in 2021

- The Owners council can be implemented in a very near future. On those meetings, the members present will be the founder and his descendants. These meetings need to be prepared and structured, so it is important to know what type of subjects are going to be addressed, what type of information will be analyzed and how will the decisions be taken. Recognizing this fact, the owners will have to select one person to organize and structure these meetings so that they are the most beneficial to the firm and to its owners as possible.

- The integration of the chief engineer will be phased, meaning that, at first it may only integrate the company in a part-time basis, on which the founder is able to analyze his performance and see if he is able to meet the company standards. After demonstrating his value to the firm, he will pass to a full-time basis, on which he will start to have autonomy to take some decisions, but always under the supervision of the founder. After 5 years working in the firm, the owners should consider the possibility of offering him a stake in the company, between 5%-10%, since his role is key in the firm's activity.
- The founder did not establish a specific date to exit the company, but he recognizes that on a maximum of 15 years from now he will have to retire. Alongside with this, the author expects to assume functions in the company after gaining his 5 years of outside experience, meaning that he will have 10 years, *ceteris paribus*, of shared management with the founder, on which the founder will exit the firm in a phased way. In those 10 years, 5 will be under the management of the founder and the other 5 years the founder stars gradually passing the executive management to the author and to the chief-engineer until he becomes advisor. Furthermore, the founder, the author and the future chief-engineer still have to define how the two of them will manage the company.
- One important aspect not addressed in the above tables relates with the communication of some critical points of the plan to the external stakeholders. There are some key suppliers and clients to the firm, that need to understand that relationships will be preserved, and continuity will be ensured. Thus, there are some critical moments of the plan that need to be communicated to the important stakeholders, such that, the time at which the new chief engineer his hired, when the author assumes executive functions and also when the founder moves to the role of advisor. These are the 3 main moments that the stakeholders need to be aware of.

Tasks	Responsible for its execution	Timing
Continuing with renovations works in the property the firm owns	Founder Family company	Continue from the point they are now, with 1/1.5 years to concluded them
Development of the final construction works	Founder Family company	Start after the renovations are done and conclude them between 1 and 1.5 years.
Implementing the chosen project in the firm's property	Founder Next generation members	Start after completing the constructions and renovations
Integration of the new chief-engineer	Founder Next-generation members Workers	His integration will be phased and last approximately for 1/1.5 years
Attend an Executive Education course in Management	Andreia, one of the next generation members	Do it before assuming functions the firm.

- The firm will finance the degree Andreia must take before assuming functions in the firm. After concluding this degree Andreia will assume the non-executive management of the firm.

Part 7: Debriefing and Conclusions

The development of this project brought many positive things. Firstly, it allowed the owner-founder and the author to start structuring and communicating their ideas to each other. It allowed the settlement of specific steps that are going to be followed in the future and most important, this is project opened the path of succession in the firm. During the project, important questions, that until now were not addressed, were now addressed and thought through, allowing the clarification of important aspects to the succession. Furthermore, it opened a lot the communication between the founder and the author, allowing them to put question in a frontal way to each other, without having problems or conflicts. Regarding the future, the founder has the desire of continuing working in the firm, he feels enthusiastic with what the future has to offer, and on top of that feels joy in continuing working for more years, on which some will be at the author's side. In essence, this project tightened the family relationship among the founder, the author and the other next-generation member, and was the first step into the starting of having proper business relations within the family.

Part 8: Possible limitations of the study

The work project achieved its goal of providing a draft of a Succession Plan for Hidroconcep, but there are some possible limitations that should be considered. Given the proximity factor between the author and the family members involved in the process, it's expectable their contributions to this WP might contain some level of **biasedness**.The interviewees could have showed some bias, on which they did not express their true opinions about some of the discussed aspects, nevertheless the author tried to control this by having performed the Crown and Marlowe Social Desirability Scale test to each of the interviewees before the interview started. Despite of that, the author ensures that all documentation of information gathered from family members is free of any sort of deviation. Another possible limitation could lie on the **linguistic differences**. The content of this work project and the research behind the literature review were developed using English, while the sessions with the family members including the interviews and the meeting took place in Portuguese. There could have been misunderstandings coming from the author's and/or respondents' side, a message could have been conveyed differently when a statement was translated from a language to another. Despite of this, the author always strived to deliver an accurate translation while presenting or documenting content.

Appendix: Images

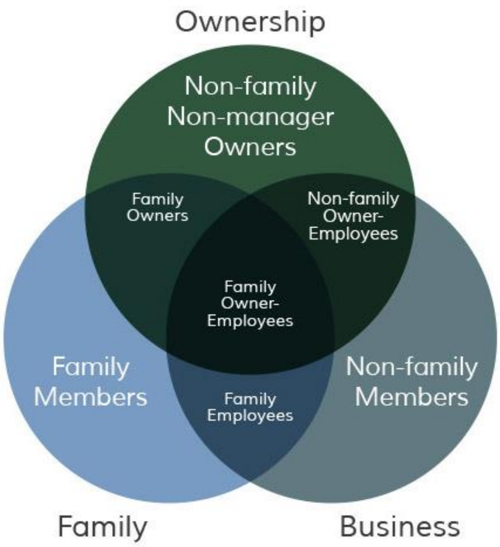


Figure 1: 3circle model with the 7 sectors, Tagiuri & Davis

		Leadership		
		Family internal	**Combination**	**Family external**
Ownership	**Family internal**	Family succession	Mixed management	Professional management
	Combination	Partner or private equity	Mixed management and ownership (e.g., publicly listed family firm)	Financial investment
	Family external	Ongoing family involvement after succession		Transfer to employees, MBO, sale to co-owner, sale to financial or strategic buyer, liquidation

Figure 2: Succession options, Zellweger

Appendix: Interview Guides

Appendix 1: Interview Guide for the Incumbent

1- When you think about succession what are your main considerations and why?
2- What's your perception of what a succession plan is and how do you consider the possibility of creating and implementing one succession protocol in your company?
3- When you think about your succession, what are the main objectives and obstacles you expect to achieve and overcome?
4- When you think about your successor, what type of characteristics/attributes do you consider fundamental?
5- How do you imagine your life after passing the 'baton'?
6- How do you define 'successful succession'?
7- What type of exit from the company are you looking for?

Appendix 2: Interview Guide for one of the next-generation members (Andreia)

1- How/where do you see yourself in 5/10 years?
2- What does this family company represent for you?
3- How do you think you can contribute and create value for this organization? / What type of capacities/attributes do you have that can contribute for the creation of value?
4- What's your perception of what a succession plan is and how do you consider the possibility of creating and implementing a succession protocol in the company?)
5- When thinking about succession, what are the main objectives and obstacles you expect to achieve and overcome?
6- What type of characteristics/attributes should the successor of the actual generation have?
7- How do you define 'successful succession'?

Appendix: Starting points for the Succession Plan

1º The founder must decide what is the % of the company each next generation member will have when he retires.

2º How is the evolution of the % of company going to be from the current situation until the final desired one. Is the founder going to decide alone or with the next generation members? Is the founder going to communicate his decision through his will?

3º Create exit and tiebreaker mechanisms to be used in the case of conflicts and deadlocks. There are 2 different options, either there is a third element with a % of the company, chosen by the 2 next-gen members, that acts as the tie breaker; either the 2 next-gen members do blind voting's on which the one that offers the highest value for the company is obliged to buy the company to the one that made the lowest offer, the member that made the lowest offer its obliged to sell the company to the one that made the highest offer. In the case of one member ends up with more % of the company than the other, their relationship should not be based on voting power, but rather on respect and fair methods.

4º When and how much should the company start investing in the large property it owns and start dynamizing the core of its business?

5º Create an owners council, and implementing it in a near future. Decide what topics are going to be discuss in these meetings and what type of involvement the founder expects from his descendants.

6º Define when to hire the chief-engineer that will replace the founder in the role of engineer. Define how his integration is going to occur and his compensation. Decide what the company can offer to attract the best candidate. Given the importance this person will have, should this person have any % of the company or not? As alternative, consider the development of a plan of phantom shares.

7º Define what is the role associated to each position each next gen expects to assume. Define how the report structure will be given the positions each will have. Define how much time is associated with each role, and make sure the person that assumes it has availability to do so. How is Andreia going to articulate her professional career with the management of the company?

8º If Andreia really wants to assume an active role in the company's management she is required to take a course, probably executive education in NOVA SBE or Católica SBE so that she learns the basics about management.

9º The 3 owners should participate together in specific training programs for family business offered by Nova or other university. These programs are ¾ days per year, they contextualize all family members in the same level and add value to the functioning of the family firm.

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[i] IAPMEI- Instituto de Apoio às Pequenas e Médias Empresas e à Inovação; It is an Institute, that acts as a strategic partner of the public sector, to provide support and promote the growth of micro, small and medium companies of the industrial, commercial, services and construction sectors.

[ii] Turismo de Portugal is the Portuguese entity in charge of the promotion, valorization and sustainability of the tourism in Portugal.