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GARLAND, SINCE 1776 -
A UNIQUE OWNERSHIP STRUCTURE

SOFIA TEIXEIRA SILVA OLIVEIRA

2107

A Project carried out under the supervision of Alexandre Dias da Cunha

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Abstract

The case is based on Garland, a 240 years old Portuguese family business, now owned by the Dawson family. It focuses on a decision made 50 years ago, aligned with what had been the company's history, about the ownership rules for family members, which influences the ownership structure of the firm. It addresses the main issues about ownership in family businesses, and tackles the problem of succession planning and fair process.

It contains a teaching note to support the utilization of the case in a classroom context, with learning objectives, target audience, a teaching plan, questions and proposed answers, and theory that relates to the case. It is also complemented with an epilogue and an overview of the case.

Keywords: *Ownership, Succession, Fair Process, Family Dynamics*

It was the year of 2015 and the Dawson brothers, Bruce and Peter, were talking. They would leave the company in a couple of years, but it was clear by their tone that they would never stop caring. They knew that the future wouldn't be easy for Garland. In that warm Friday afternoon, like the ones only Lisbon has in May, the decision that had brought them to that point seemed like a long time ago. It had been a long time ago. The company had been in the business for almost 240 years, and the will to preserve the legacy that their father had left them was enormous. Would the solution, that they had found to preserve the family business almost 50 years ago, work in the future?

The beginning – Three Families

The company had been founded in 1776. An English codfish merchant named Thomas Garland entered Lisbon by accident when the boat he was in encountered a storm and had to stop in Tejo's port. He sold his products so easily on the streets of Cais do Sodré that he saw an opportunity. One year later, he was sending his son to Portugal to start and establish Garland, an English family owned business in Portugal.

Approximately 50 years later, in 1835, another family would enter the business, the Laidley family, and in 1841 the name of the company would change to Garland Laidley, as Henry Laidley was made partner of the firm. This family would only stay in the business for 3 generations, but their legacy would remain in the name, for many years to come.

It was only in 1866 that the first member of the Dawson Family started to work for Garland. Somewhat like the story of Thomas Garland 90 years earlier, the young Errington Dawson had arrived in Lisbon by chance, when the boat that he entered after fleeing from school docked in Lisbon. In a strange city, the name Garland Laidley caught his attention. The company was in Portugal but the good old English traditions were fulfilled, and Errington Dawson started in the

company as the boy that served the tea everyday at four thirty for the president, Watts Garland. It was not long before Watts Garland discovered that he had fled from school, making him return to England to finish his studies, but by that time the young Errington had already grown in the consideration of Watts, that promised him a job for when he came back. Eventually Errington became almost like a son to Watts Garland and although the president of Garland had two daughters and two sons, only Errington Dawson took an interest in the company. He ended up a partner in 1890, and eventually took the control of the business. That was the beginning of the Dawson family at Garland, the family that would prevail. For a while, one of the sons-in-law of Mr. Watts Garland stayed in the company working with Errington Dawson, but around the year of 1940's he, the last member of the Garland family still in the business, would leave the company, and the Dawson family would become the sole owner of Garland Laidley.

Expansion of the Business

The business started as a simple import and selling of codfish but it evolved and expanded over the years. In 1848, the Portuguese Government authorized Garland to print bank notes. That was not related to the core business but showed the confidence there was in the company and it was a way of recognizing its value. In 1855, the company began its shipping business, which included the trade of Port Wine, from the Douro's region, and that would become a very important part of the daily business for Garland.

Over the years, a lot of different opportunities appeared for Garland. Before the World War II, they became the representatives of a security company and started to sell security systems, like safes and lockers, which eventually expanded to anti-theft alarms and fire detection devices as well, making the Security branch of the company.

Taking advantage of the fact that Portugal was not involved in the II World War, Garland was able to become the Portuguese representative of an English forwarding company, taking the place of a German company, that was no longer doing business with England, and beginning that way the Forwarding business for Garland. The evolution from transit to aero transportation was very natural, and the company was in the 70's distributing products through ships in the ocean, trucks on the roads and planes on the air.

In the mean time another kind of business had appeared as well, as Garland had started a relationship with Dunlop. In 1980, Garland was appointed as the exclusive distributor of Dunlop in Portugal, and the Tires business developed naturally from that point.

With the business growing, the company needed to ensure the quality of its operations, and logistics started to be a very important part of the process for Garland. The evolution of the company led to the decision of selling Logistic services to others, and expanding the services offered by the company, even further.

Over the years Garland diversified its services, from the core business of transportation and navigation. Some of them were sold in the meantime, because they were not in fact related to the core business of the company, as is the case of Security and Tires, but the company maintained a very different branch of services available to its clients (See Exhibit 1–Garland's Organogram).

In 1989, Garland suffered a big change, when the board decided to separate the different divisions and create different companies, making Grupo Garland Laidley the holder of all the other companies. From that point on Garland adopted a strategy of centralizing services that were not directly related to the core of each one of the companies in the group. Divisions like Financial Services started to be integrated, to the point in 2015 that all of those services were in fact centralized.

More investment – Same Family Values

In addition to having the company expanding the services provided to its clients, Garland also started to expand to a more global scale. In 2013, Grupo Garland opened 3 offices outside of Portugal. These three offices, two in Spain, in Valencia and in Barcelona, and one in Casablanca, Morocco, were added to the one already existent in Chile, which had been set up by Giles Dawson, one of Bruce Dawson's sons, a few years earlier. At the time, the company also held a position at the PSL Freight, in the UK, another international location for Garland, but that position would be sold in 2015.

Like any other family business once it started to grow and expand, the difficulty was to control and maintain the family values in the company. One of the biggest concerns was to make sure that the investments would go as planned and that the company's name wouldn't be associated to bad service. The family's and the company's name had to continue to be associated with high quality service, even if it was across the world.

To guarantee that this would happen, Garland adopted a strategy of having a local partner, someone the family could trust, that would be responsible for carrying on the family values and the intents of the company. The only exception to this rule was the office in Casablanca, that was totally controlled by Garland, but had a manager that had been sent from Portugal to make sure that the company values would be maintained.

Besides making investments abroad, Garland was also investing on the offices they had in Portugal. The most important offices in Portugal were in Abóboda near Lisbon, where the headquarters was, and in Maia, near Porto, but the company accounted for about 65 thousand square feet of warehouses all around Portugal, that allowed them to maintain their operations.

In addition to the investment in offices, the company had a very big concern with investments in Technology and Information Systems. It was very important for them to be ahead of the market,

of the competitors and to be always evolving and innovating. Making sure that they always had the top of the market technology enabled them to be leaders in the market.

The importance and concern with quality were clear, every time that the company had to make a big investment. The board members felt the importance of the legacy that they were carrying.

Surviving 240 years

Garland had been founded 3 months before Thomas Jefferson's Declaration of Independence, which made them older than the United States of America. This was a matter of pride for the members of the Dawson family, for all the workers in general and it was something they liked to tell everyone who visited the company and to remember every chance they got.

The company had been through all the big changes of the last couple of centuries.

Just in the XX century, they had been through two World Wars, the Crisis of '29, and the Revolution of 1974, in Portugal. According to Bruce, they had survived all of this with a lot of imagination, family union and a bit of luck.

The times around the First World War were possibly the most difficult times for Garland. Not only the world was at war but Portugal was also going through a change of regime, from monarchy to the First Republic. The times were very unstable, both politically and socially, and companies were having trouble surviving. At some point the company was very short on money, and wasn't being able to finance its operations. The only possible way to survive was to ask for the help of some of its business partners. Trying to save the company, Errington Dawson was able to get to a deal that established that Garland would have to sell half of the company, but once the company was able to finance its own operations again they could buy that half back, for the exact same price, and there would be no place for interests. It was not a loan, but it would work like one. In the eyes of today, this deal doesn't look profitable for the business partners of

Garland, but at the time it was made based on the good relations that Garland maintained with its partners and as long as Garland didn't close the partners would gain.

Very differently from what happened during the First World War were the times around the Second World War, when Garland was able to take advantage of the fact that Portugal was not involved to gain some deals, like the forwarding business, that would become one of the most important ones.

On April 25th 1974, Portugal had a Revolution that changed the political system from a dictatorship to a democracy. The Revolution was pacific but the changes in the country were enormous and the times that came after were very unstable. Before the Revolution and even during, a lot of people were leaving the country with fear of the times that might come ahead, which was a problem for a lot of businesses. But Garland found a way of taking advantage of the situation. The company used the resources of their regular business and put together an operation to help people with the moving. They became one of the major players in the market of moving the furniture out of Portugal. A simple idea allowed them to survive very difficult times and to maintain the business alive when so many other companies were closing.

After 1974, there were some more crises in Portugal but the biggest one was the crisis of 2008 followed by the crisis of 2011. The times were very difficult and a very high number of companies closed during the crisis, the taxes went up and people's incomes decreased, with unemployment rate at levels of 18%. In 2015, the effects of these crises were still visible in the economy but the country was slowly getting better. Because Garland was a services' company, and more and more companies were outsourcing as a way of cutting costs and trying to survive, Garland was able to grow and to keep its stable position in the market.

There had been a lot of obstacles in the 239 years of history of Garland, but the company had been able to survive this far, and in 2015 it was bigger than ever.

Management in 2015

Bruce Dawson was the fourth generation of Dawson's working at Garland, and had stepped up after his father left the business, in 1966. He was the older brother of three, and as the tradition in Garland was maintained, the company had passed on to him (See Exhibit 2 – Genogram of the Dawson Family). Both his brothers worked with him in the company. Patrick, the youngest, worked at Garland for six years, before he decided to move to England, and leave the family business behind. His other brother, Peter, had worked for Garland in the 70's and, after being absent for quite some time, had returned in 2003, and had become a part of the board and a very important figure inside the company.

When Bruce Dawson stepped in as President of Garland, the company had around 60 workers, about twice as much as when it was just a navigation company, but in 2015 there were around 300 people working for Garland. The last 50 years had been of great growth for the company, the biggest of its history.

There had also never been so many members of the Dawson family working at Garland at the same time as in 2015. At that point there were four members working, three of them were a part of the Board of Directors, Bruce Dawson, Peter Dawson and Mark Dawson, and one, Giles Dawson, that had been the latest member to enter the company, was not yet in the Board but was to be in the next cycle.

The Board had also 3 other non-family members, which accounted for 6 members in the Board.

All members of the Board were granted some shares of the company, whether they were part of the family or not. And all members of the family that worked for the company had the right to some shares as well, whether they were members of the Board or not. In 2015 this meant that all 6 members of the Board plus Giles Dawson were the owners of the company. Of course, the

members of the Dawson family held the majority of the capital, and between them the capital was distributed equitably, and the other members of the Board were minority shareholders.

The Decision

The company had passed from one generation to the other with the oldest son always taking the control. It had been like that since the beginning, the only change had been when the Dawsons first entered the business. It was a natural process at Garland, had prevented the company to have succession problems, like so many other family business, and to endure for almost 240 years.

The succession problems had been avoided for centuries not only because there had always been someone in the family that wanted to work for Garland, but also very few times there had been more than one person who wanted to stay.

But it was not safe to assume that in the future the situation would not change.

In order to avoid family problems, approximately 50 years ago, Bruce and his brother Peter made a decision, the decision they were questioning today.

They resolved that only family members that worked in the business would have the right to receive shares in the company, which meant that once a member left the company he would not be entitled to keep his shares, and he would not be able to leave that legacy for his children, unless they would work for the company as well. When a member left the company he would receive some type of compensation, to be decided by the Board of Directors. This decision came in line with what had been the last two centuries at Garland but was not a regular decision in family businesses.

In addition, a very strict policy of family employment was implemented, that stipulated that, for family members, only those who had interest in the business, that had studies, and that had work

experience outside of Garland were accepted to work in the company. Family members had to earn their positions, just like any other worker.

However, neither of these decisions had been put into a formal writing format. They were being implemented exclusively by commitment of all the family members. As the two brothers liked to say, the family had always been very close and united, and they had not had any problems so far. Writing down the rules did not seem necessary at the moment, and would be an imposition for the future generations.

The decision had made Garland a company very different from many others, because it prevented the dispersion of capital through family members that were not in the company. But the rule was not bulletproof and did not prevent every problem. The perception of unfairness by any member of the family could lead to a family dispute, and in that scenario, the rule would probably not sustain, which was the reason that led Bruce and Peter to discuss it, that afternoon.

What does the future hold?

In that May afternoon, they were discussing if the decision of making the company's capital only available for family members working in the business would work in the future.

Their father, Peter Dawson Senior, had been the 3rd generation of the Dawson family in the company and had left them the Garland empire. For the two brothers the decision had been natural, in agreement to what had been the past at Garland. Bruce even used to say that when the time for him to leave came, he would just pass his shares to the others, it didn't make sense for him to keep them and cause problems, and that the shares belonged to those who could efficiently manage the company. Their other brother Patrick, had left the company behind, and had never raised any problems regarding this decision. But what about the future generations, how would

they take it? How would they react when they were told that they would not be entitled to any part of the business that had been in their family for generations unless they worked there?

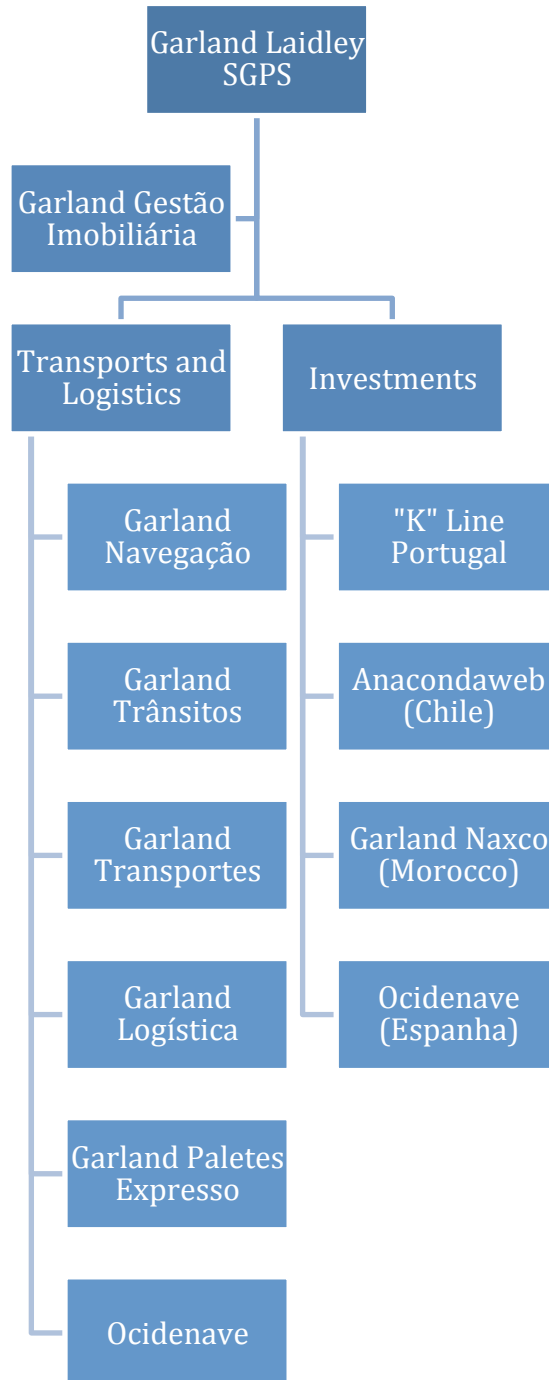
Bruce and Peter didn't even have the rule written down, it had always been based on family trust and family union. Not even the reward that was given to those who left the company was written down, the Board of Directors decided it at the moment of the departure.

Mark Dawson, Bruce's son, would take control of the company once his father and uncle left and he was committed to maintain the family traditions. But he was not the only member of the 5th generation. Alongside with him there was his brother Giles, who already worked for Garland, and their cousins, the son and daughter of Peter Dawson, who were not yet in the company. Once their father left Garland, they would not be a part of the company and they would not be entitled to any share of it, unless they decided to work there. Would they consider this fair? Would they accept these family rules and traditions, or would they question them?

Mark's succession was being planned for quite some time, and like in all four generations of Dawson's before him, he was the oldest son and he was taking control of the company. Bruce and Peter knew he wanted to carry on what they had started, but would he be able to maintain everything the same with more and more generations to come? Would the next generations accept the rules as well as the previous ones had, or would they question its fairness and demand a change?

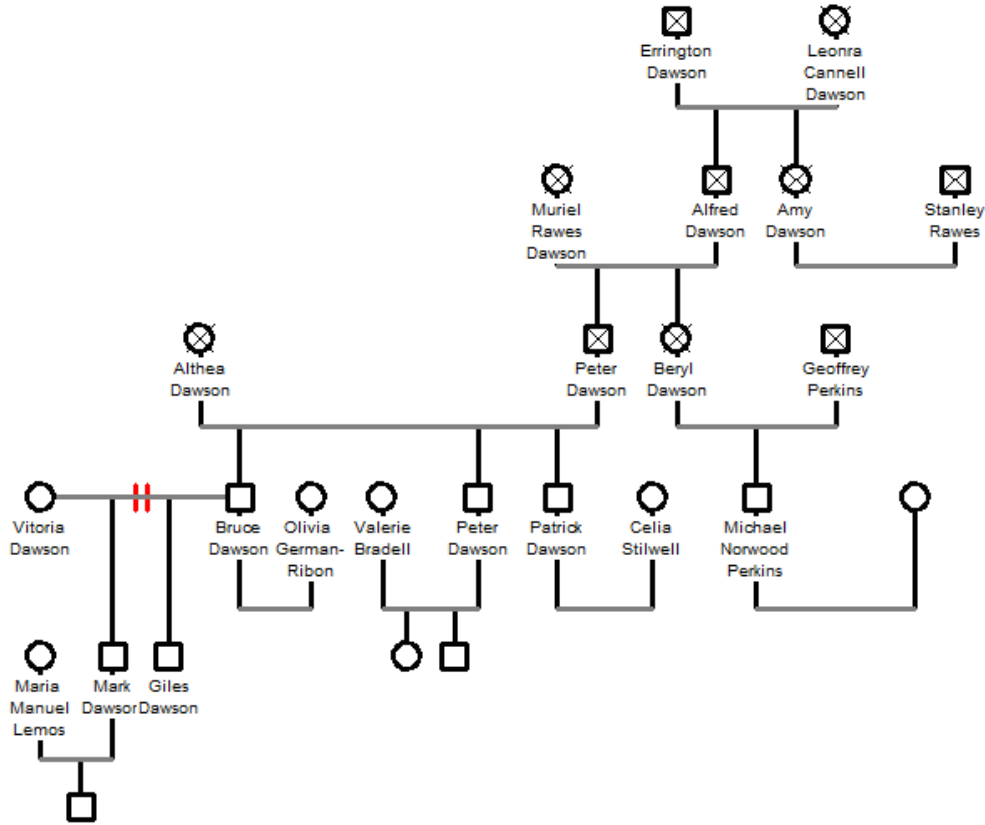
Appendix

Exhibit 1 – Garland's Organogram



Source: <http://www.garland.pt/?option=56&lang=enEpilogue> complemented with casewriter's interview to the CEO

Exhibit 2 – Genogram of the Dawson Family



Source: Casewriter’s interview to the CEO

Teaching Note

Overview

The case is about Garland, a Portuguese transit and logistics family business with almost 240 years, that has been managed by three different families, but is now solely owned and managed by the Dawson family. This company has a unique way of dealing with the capital distribution, as only family members that actually work there are entitled to shares of the company, and it is around that unique characteristic that this case develops. The case analyses, 50 years later, the decision that has established these rules and tries to understand what kind of implications these rules can have on the future of the company.

This case is written based on a real company and real people. It focuses mainly on ownership structure, but also on succession, fair process and family dynamics. As the case occurs in 2015, the main objective is to analyze the rules as they are now and try to understand the implications to the future, by creating scenarios that might occur.

Target Audience

The case is adequate for Family Business courses, or related, at an Undergraduate or Graduate level.

The case does not involve very technical details, but in order for students to progress it is advisable that they are familiarized with the basic concepts of family business, especially in the main topics, which are ownership structures in family businesses, that include the Stages of Ownership Development and the different ways of being an Owner, Succession planning, and Fair Process. The Three-Circle Model and the Resource-based view are other topics that can be found in the case, and that students should also be familiarized with.

Learning Objectives

After reading the case, students should be able to understand the importance of ownership structures and the diversity of solutions that companies can have in terms of capital distribution.

They should be able to understand the importance of fair process and family unity in family businesses, and how that affects the performance of companies.

Students should also gain awareness of the importance of succession planning, and understand what distinguishes family firms from non-family firms on this matter.

Discussion Questions

1. What do you believe are the biggest weaknesses of the ownership policy of Garland and how could these weaknesses be overcome? What about the biggest strengths?

The capital distribution policy of Garland states that only family members that work for the company are entitled to capital from the company. As seen in the case, the decision that led to this solution was made 50 years ago, although it was never formalized by a written document.

The biggest weaknesses of this way of distributing capital present themselves in the case of a family dispute. So far, the company had not had any problem. But in a case of a family dispute, a lot of problems might appear, namely, a disagreement about the compensation. If there is a disagreement about the amount given to the one leaving the company, the shares can't stay with him/her, because that goes against the policy, but the company doesn't have a defined and clear way of finding a solution.

It is also important to discuss the fairness of the rule, and try to understand what would happen if a family member considered the rule prejudicial. A fair process in family businesses allows for a feeling of fairness to the people involved and eliminates the need for a choice between emotions or economic performance (Van der Heyden, Blondel, & Carlock, 2005). If a member of the

family is unsatisfied and believes that he/she has the right to shares from the company even though he/she is not working for the firm, questioning the fairness of the system in place, the rule might not sustain. Garland must create mechanisms to prevent this kind of situations, and guarantee that family members feel that the process is fair at all times. In order to do so and applying the characteristics of a fair process referred by Van der Heyden, Blondel, & Carlock (2005), Garland should create better means of communication between the family members that are in the company and those that are not but that are, nevertheless, influenced by the decisions, and should also consider the possibility of changing the rules, allowing for an attitude of more flexibility about the decisions and systems in place.

There is another situation in which this compensation might come as a problem, which is the case of a death or disappearance of one of the partners. Throughout the history of Garland, members of the family left the company before their death, but in the case of a death before the moment of departure from the company, the shares that were previously owned by the partner are now a part of the inheritance being distributed by his heirs. By not having the rule written down, the shares pass on to the heirs that are not obliged to sell them. If they do decide to sell the shares, there are two scenarios that might occur that don't preserve the traditions of Garland: the heirs want to sell to the partners of the company but they don't reach an agreement; the heirs decide to sell the shares, but they sell them to outsiders, bringing strangers into the business, which can destabilize the family harmony. The way to prevent these situations would be to write these rules either on the statutes of the company or in a by-law, subscribed by all the shareholders of Garland. They should reach an agreement and include, either on the statutes or the by-law, the calculation method for the price of the shares, the preferential right of the firm to buy the shares, and a clause that stipulates that the shares might only go from partners to partners, they may not be given to

strangers of the company, and even in a situation of death and disappearance of one of the partners, the company can buy the shares from the heirs.

On the other hand, the strengths of the rule are also quite interesting. If we analyze the company's history, it is clear that with the use of this policy Garland has prevented a dispersion of the capital, through the years, to family that it is not in the business. Although Peter and Bruce made this decision 50 years ago, the rule had always been in place. The oldest son was always the one to stay and run the firm, while the others would stay out and would not have the right to capital from the company. While not the only reason, this policy can be associated with the company surviving all these years. If we analyze some numbers we see that only 30 percent of family businesses survive from the first to the second generation, only 12 percent goes from second to third and only 4 percent goes from third to fourth generation (Poza, 2010). Garland beat all these odds, and it is on the 5th generation of the Dawson family, the third family in the business. This solution prevented the Ownership of the company to reach the stage of Cousin Collaboration or Family Consortium (Poza, 2010), when there are many shareholders. Although it is possible for a company to survive under these circumstances, usually management finds complications because of the complexity of the relationships between the family and the shareholder group. Garland stayed in the middle of the ownership axis, between Owner Managed and Sibling Partnership, according to the "Life Cycle Stages Influencing Family-Business Strategy" in Poza (2010). This stage allows a more aligned set of values and beliefs between the members of the family, that are also shareholders, which leads to a more effective management and might lead to better results in the end.

2. What would you do if you were the next generation leader of this family business?

Would you keep the policy that worked for 240 years or would you try to find a different solution?

This question doesn't have just one answer, as it depends on the sensibility of the person answering to it. Each student might present a different solution, and that will lead to a discussion, that is the goal of this case. The analysis of the situation can be made as follows: the next CEO of Garland faces the same situation as Bruce encountered when he arrived in the company. Although it is not mandatory to the next CEO to make a decision on this matter (the rule is being enforced), it is important that he prevents possible future problems, and this is one that might appear.

The solution found by Bruce and Peter Dawson, is the same solution that led the company from 1776 to 2015, without succession problems. So one of the possible decisions for the next CEO is to keep the same rule. By doing so, he is maintaining the same values that led the company and the family for 239 years and to this point.

Another solution for the next CEO is to change the rule and allow for family shareholders that do not work in the company. This decision breaks with the company's tradition, making it more aligned with the more usual set of rules in family businesses and could be presented as a way of solving the limitations of the already established rule. However, in the case of a family dispute, one of the major weaknesses of the current situation, neither one of the rules can present a true solution to the problem. In the first situation, as the rule is not written, the shareholders might sell shares of the company to outsiders or not reach an agreement on the matter of the price of the shares, and in the second situation a family dispute can lead to real problems in management, with a misalignment between the managers and the owners.

Whatever the solution found better by the next CEO it is very important that he reaches an agreement with the owners of the company. In the case of Garland, the majority owners are members of the Dawson family, and a method used in family businesses to avoid and solve family disputes is the creation of a Family Council, “*a governance body that focuses on family matters*” (Poza, 2010). The agreement should be followed by a formalization of the decision, either with a change on the statues of the company or with the use of a by-law. It is very important for family businesses to have family union and trust between family members, however a company should not hold its stability on this, and finding ways to protect the firm from family problems should be a priority.

Another very important thing for Garland is to define the method of share valuation, associated to the business valuation, which should be regularly reviewed and updated (Poza, 2010). According to Poza (2010), the agreement and implementation of this method of valuation should be done while the senior generation is still in the business, that in the case of Garland are Bruce and Peter, to keep the family harmony. If this later recommendation is not possible, and this decision is not made while Bruce and Peter are still in the company, the next CEO should definitely find an agreement in the Board of Directors and find a method of valuation for next redemptions. This rule, as the previous one on capital distribution, should be formalized, either on the statues or with the use of a by-law.

3. Do you think that Garland has an effective way of dealing with succession? Should they have a clearer succession planning?

“In essence, succession planning is about identifying and developing your best talent (present and future) and preparing these individuals to assume higher-level roles or other key positions in the organization.” Mattone (2013).

Succession is one of the most important topics in family business because although there might be many reasons for firms to fail, not succeeding due to a failure of a succession planning is the most common in family owned and controlled companies (Poza, 2010).

Right now, Garland has a family employment policy that restricts the family members that work for the company. Only family members who are interested in the business, who have studies, and who have worked outside the firm for some time can come and work for Garland, which ensures the quality of the family members that join the company, and that might want to become CEO.

Over all these years, Garland leadership has passed on from father to the oldest son. This was the rule when the Garland family was in charge and it remained with the Dawson family. The succession has been done naturally because the oldest son always wanted to stay in the company and he was always the only one. The training has been done on the job, with the sons working with the fathers for quite some time before the fathers leave.

However, in the future the situation might be different. The oldest son might not be interested, there might be more than one person interested and with the profile to take charge, or there might be family members that are interested in staying and taking charge of the company but who are not skilled to do it, situation in which it makes sense to consider a nonfamily manager. Family businesses that only promote family members to the high positions inside the company are often deprived of the best managerial talent (Blanco-Mazagatos, Quevedo-Puente, & Castrillo, 2007). This is a type of agency cost that affects family businesses, especially after the first generation, and it can lead to lower financial performance (Blanco-Mazagatos, Quevedo-Puente, & Castrillo, 2007). It is important that Garland doesn't impose selection criteria that can prejudice the company, and considers every option at the time of succession.

When planning the succession in family businesses, it is also important to consider the commitment to the job of the various candidates. According to Poza (2010), there are four types

of commitment for the next generation, and in each one, the successor has a different reason for joining the business. The reasons can be: wanting to join, called “affective commitment”, feeling that they ought to join, called “normative commitment”, having to follow such a career, called “calculative commitment”, and needing to pursue this type of career (Poza, 2010). Frequently, the actions taken after accepting the job will differ accordingly to the type of commitment there was in the first place, often affecting the firm’s performance (Poza, 2010). According to Poza (2010), the motivation should be aligned with the “affective commitment”, for a better performance, and if that is not the case the candidate should reflect and discuss it with the family. There is also another important factor that influences the succession process, that is the CEO that is leaving, who, in family businesses, is often the previous generation. According to Poza (2010) definition on exit styles for CEO, Garland has been between Ambassador and Transition Czar. This type of exiting style allows for “a generational transition to be planned and eventually executed” (Poza, 2010) as well as enough time to evaluate the true capabilities of the successors, its necessity for training, and the needs of the company (Poza, 2010). If Garland can keep the transitions aligned with what have been its traditions and its values, traditions and values that have worked for almost 240 years, it might not have any succession problems in the future. This is not saying that the successor has to be the oldest son, as he might not even be in the company, but it is saying that the values of continuity and willingness to preserve the family and company values, should to be maintained with every transition of CEO that the company faces.

Teaching Plan

Case Introduction	10 minutes
Ownership, capital distribution and fair process	45 minutes
Succession planning	20 minutes
Wrap-up	5 minutes
Extra concepts	10 minutes

In order to benefit and learn more from the case, students should read the case before the class.

The instructor should start with an introduction (10 minutes), where he/she presents the company, talks about its history and then directs the discussion to the ownership and capital distribution of Garland. Then, pose questions 1 and 2 and ask for volunteer students to answer them. In the first question, answers can be written on the board, divided in strengths and weaknesses, providing a schematic view of the situation. This will help answer question number 2. The discussion around these two questions should take about 45 minutes. During this discussion the instructor can direct the conversation to the fair process topic, especially relevant in question number 1.

After this part of the discussion is settled, pose question number 3. This question is about a different topic from the other two, so the discussion might need some guidance, and it should take about 20 minutes.

To conclude, the instructor should do a wrap-up about the key points found during the discussion (5 minutes). If the case is intended to a 90-minute class, the last 10 minutes can be used to discuss other family business topics that can be found in the case, but that are not covered in the questions, topics posed in *Theory*. This can be used as a review of family business concepts.

Theory

There are several topics about family business that can be found in this case. This part is intended to be a brief explanation of them.

First, we should start by defining Family Business as “*the whole gamut of enterprises in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm. They influence it via their managerial or board participation, their ownership control, the strategic preferences of shareholders, and the culture and values family shareholders impart to the enterprise.*”, according to Poza (2010) (page 5, chapter 1). Garland is clearly a family business under this concept as it has 4 family members working at the company, 3 of them are members of the Board of Directors, and all of them are owners, with big influence inside the company.

From this point, we can then identify several concepts about family business that apply at Garland, and that provide a better understanding of the company’s dynamics.

The first is the Three-Circle Model. This model poses family businesses as a system of three independent but overlapping subsystems: ownership, family and business, and it is very useful as it facilitates the understanding of dilemmas, conflicts, priorities and boundaries in family firms (Gersick, 1997). At Garland, the members of the family that work at the company are all a part of the three subsystems. There are also members of the family that are not in the firm and that are not owners, which puts them in the family subsystem. These family members are also important because they are a part of the equilibrium of the family relations, and if they question the fairness of the rules, it can impact the future of the company. Then there are the non-family members of the Board, who are not a part of the family subsystem, but are a part of the other two. According to this theory, companies can be family-first, ownership-first, or business-first regarding its perspective (Poza, 2010). Garland is a case of business-first type of company, where family

members have to work outside the firm first to be able to work for them, and have to earn their positions inside the company. The most important thing in this situation is the good performance of the business, and not the short-term financial results or the employment of family members as a birthright, as in the ownership-first and the family-first type of business (Poza, 2010), but in Garland, family relations were always very important and valued. According to Poza (2010), the best state for a company would be to jointly optimize the interaction between the three subsystems, reaching a nirvana like state.

Then, we can apply the Resource-Based view to explain the good performance of Garland over all these years. According to Duh (2010) the Resource-Based view examines the connection between the company's characteristics and its performances, stating that companies have inimitable and idiosyncratic resources that allow for a competitive advantage and a superior performance. Family businesses have some unique resources that create competitive advantage, according to this theory: faster speed to market, as a result of overlapping responsibilities between owners and managers, especially in small companies; higher returns on investments as a result of a segmentation directed to market niches and a big focus on clients; higher corporate productivity, as a consequence of concentrated ownership structure; high quality of the products and services because of the desire to protect the family reputation; the dynamics between family ownership and management, allied to family unity and ownership commitment, which sustains patient capital, lower administrative costs and transfer of knowledge between generations, as well as agility in fast changing markets (Poza, 2010). Analyzing Garland we see a lot of these characteristics, like the family unity and ownership commitment, the desire to protect the family reputation, the overlapping responsibilities between owners and managers and its concentrated ownership structure, so we can try to explain the good performance all these years and the longevity, with these competitive advantages.

Another way of explaining the longevity is described by Rivers (2010), who says that family businesses that are more than 100 years old are only able to reach such old age because they limit the number of family members that are shareholders. According to this author, pruning the family tree doesn't only bring benefits for the business but also improves family relations, in an unexpected way (Rivers, 2010). This is precisely the case of Garland, that, as seen in the case, only allows family members that work for the business to have access to shares from the company. According to Poza (2010), in order to preserve the propensity to a long-term horizon in management, a competitive advantage of family firms as seen before, it is very important to invest in the design and application of an appropriate ownership and control structure, in the commitment and education of shareholders, and in a way to control the interaction between the owners and the firm. Like for so many other family businesses, ownership structure is a very important part of Garland, and the way the company has dealt with this topic might be what has allowed for the success for so many years. According to Poza (2010), shareholders and managers have different missions, with only some alignment. Shareholders are interested in return on investment, family unity, and value of shares, while managers are interested in competitiveness, growth, profits and career opportunities. But in the case of Garland, throughout all these years, the managers and the owners have been the same. There are no owners outside the company, which prevents some problems like different levels of information or different objectives. There is an alignment on what is the mission of the shareholders and the mission of the managers, and that has allowed family unity and a good company's performance.

However this solution can be perceived as unfair by members of the family, and that is why Fair Process is another essential part of this case. Fair process is an important way of improving both the economic performance of the company and the satisfaction of the family members (Van der Heyden, Blondel, & Carlock, 2005). A fair process has five important characteristics, that are

improving the communication and giving a voice to those concerned; clarification of the process, the expectations and the information; consistency over time and across people, aligned with the values and norms; changeability of the decisions, goals or processes if necessary; and commitment to fairness. It has also five important steps, which must be followed to guarantee that all members sense the fairness in the process, that are framing the issue and engaging the ones involved; exploring the results of possible actions and eliminating those that are not interesting for the situation; deciding which action to take and explaining the decision to the stakeholders; implementing and executing the course of action decided; and finally evaluating the entire process and learning from the mistakes (Van der Heyden, Blondel, & Carlock, 2005). If Garland could apply the steps and characteristics of Fair Process, it would be able to benefit from the positive implications of it and prevent the problems that might occur if any family members question the fairness of the decisions. A way of putting these steps and characteristics in practice, and improving fairness at Garland and in the Dawson family, would be to apply the best practices of Family Governance, like having a family constitution, that can be a way of collecting the most important family policies and reflect vision, mission and values of the family; organizing family meetings, that are informal family gatherings that allow for a better communication in the family and consequently a better family harmony; or even, in a later step, creating a family council that is a formal governance body, that formalizes the efforts of family meetings.

Succession is another very important part of the case, as it is in every family business. The will to handover the business control to the next generation is what differentiates family firms from non-family firms (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). According to Fiegener, Brown, Prince, & File (1996) it is essential to consider the CEO transition as a process that undertakes numerous activities to prepare the successor, and not a single event. These authors also state that in family firms the preparation of successors is done with a more direct method, by enriching the

personal relationships between the leader and the successor, with processes of coaching or mentoring (Fiegener, Brown, Prince, & File, 1996). According to Poza (2010) there are six kinds of exit styles for CEOs, each of them influencing differently the next generation: the Monarch, the General, the Ambassador, the Governor, the Inventor and the Transition Czar. At Garland, since the Dawson family is running the business, the CEO exit style lies somewhere between the Ambassador and the Transition Czar. The transition has been made with the successors learning about the business first hand, and when it is time and the CEO decides to leave, he helps to guarantee the smoothness of the change. As seen in the case, Bruce, the current CEO, and his brother, Peter, have the intention of following the traditions regarding the exiting style.

Epilogue

In December 2015 the situation is as described in the case: Bruce Dawson is the President of Garland, and the rule that is discussed in the case is in place - only family members that work for Garland are entitled to receive shares from the company, and there is no written regulation. Once Bruce Dawson leaves the company he will have to deliver his shares for which he will receive compensation, to be decided by the Board of Administration. The same situation applies to his brother, Peter. Bruce's son, Mark Dawson, will substitute him once he leaves, as has been the case for 5 generations of Dawson's at Garland. At the time of writing the case there is no indication of a family dispute at sight.

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