

# Diagnosis Model as a Support for Family Succession Planning

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**Abstract**— *The present study was aimed to develop a diagnosis model to evaluate the organization before the implementation of a family succession planning. The research was sent to the founder and current manager and successors of a Brazilian timber company, taking into account 07 (seven) major axes: training, decision-making, leadership positions, entry of family members into the company, planning, choice of successor, and family conflicts. The development of the family succession diagnosis model contributes to the literature of the area by presenting a data collection tool to assist managers in the evaluation of the companies, especially allowing them to identify weak points of the organization that need to be solved before the introduction of the succession planning.*  
**Keywords**— *Family business. Succession. Management.*

## I. INTRODUCTION

By definition, family business is when one generation allows for the next generation to take over the leadership of the company. For this to occur with no conflicts, preparation and planning are necessary. Every company is singular, and there are no equal plans [1]. In the case of family businesses, one of the most important characteristics is the interaction between the spheres of a system formed by three subsystems: family, equity and company. The heirs are partners in company and equity, therefore, one cannot neglect the planning of succession and perpetuation of the business [2]. When considering family companies' strengths, it is highlighted: employee loyalty, the reputation of the family name, family succession, quick decisions, family group in terms of market influence, and family generation, which enables the continuation of their name and values. [3].

Succession is not just a transfer of power, since it involves time-consuming processes. It also includes the ongoing solidity of the company and the family. Thus, the level of training, responsibilities, communication of succession, succession planning and most importantly, the successor satisfaction in taking over the business are determining factors for family succession [4]. It is important to identify the roles played in the whole

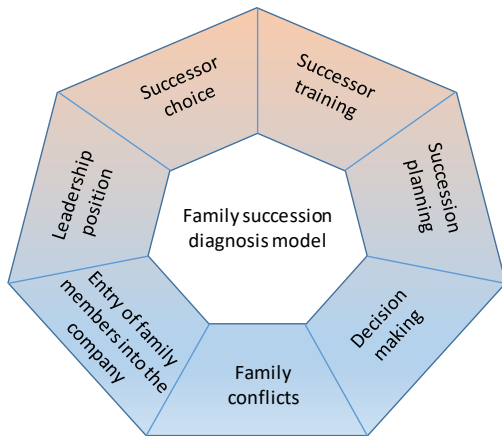
process, the investigation of values, needs and expectations and their impact on the process so that the family business is in the market as long as possible by means of introducing family succession [5]. Among the greatest challenges faced by family businesses in the succession process are the planning for the period, the preparation of a successor able to manage the company in face of challenges, and especially the inclination of the predecessor to transfer the company to another person even if it is a member of the family. Therefore, the succession process takes place only when there is the ability of the predecessor to pass on his knowledge, and the successor to receive it [6].

The diagnosis tool is the first important management analysis for organizations. Despite several advantages, we highlight that no organizational form is perfect, since each of them has strengths and weaknesses. Therefore, compensatory mechanisms have to be introduced. The efficiency of an organization increases when one learns to diagnose one's own strengths and weaknesses [7]. Business diagnosis is paramount and contributes to the companies' knowledge of their internal and external reality; hence, they can better plan their activities and provide the manager with a systemic view of the processes and possible failures of the organization [8]. The most commonly used diagnostic approach in Brazil to effect organizational changes is based on estimates and established solutions (prescription of revenues), providing limits ranging from non-acceptance by the client to the ineffectiveness of the proposed solutions. It stimulates the reactive attitude, emphasizes technical variables and disregards human variables, but it does not consider the reality of the client system, following unified plans that assume that all organizations are identical. [9].

The family succession diagnosis model proposed in this study aims to fill the gaps left by organizational diagnosis models that do not widen the issue of family succession, thus evaluating the organization before carrying out the succession planning.

**II. MATERIALS AND METHODS**

As for the approach, the research was characterized as qualitative, and as for the objectives, exploratory and descriptive. Regarding the procedures of data collection, the research was characterized as bibliographical and case study. The study was limited to analyzing a family-owned company in the timber sector, based in the city of Curitiba, Paraná, Brazil. Field research was carried out by applying a questionnaire composed by 27 questions on a Likert scale sent to the founder/manager, and to the successors of the company. As for the data analysis, the method of Average Ranking (AR) was used.

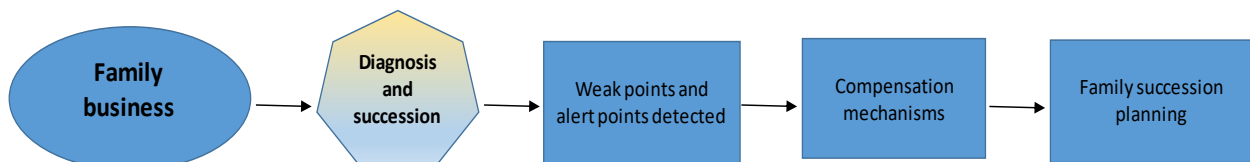


Source: Elaborated by the authors.

Fig.1: Family Succession Diagnosis Model

**III. DISCUSSION**

We present below the results of the seven major axes (Figure 01) analyzed on family succession. The Likert



Source: Elaborated by the authors.

Fig.2: Steps: diagnosis for succession planning

Once the diagnosis is made, it is possible to discover the weaknesses, introduce compensatory mechanisms, and develop a succession planning consistent with the reality of the organization.

As observed in Table 01, the diagnosis seeks to analyze aspects that, in most cases, are unnoticed by the manager. In the first major axis, successor choice, the successor's degree of "freedom" in whether or not to take the leadership of the company in the future is analyzed. The freedom given to the successor, that is, if he really intends to accept the company, is one of the first conditions for a less conflictive and more rational succession planning. The degree of "pressure" on the part of the manager, and

Scale presents items in the form of statements about a category of analysis on which respondents are asked to state their position. As for the analysis of the answers of the questionnaires, the method of Average Ranking (AR) was used to measure the degree of agreement of the respondent subjects. The results with mean < 3 show an evaluation below the reasonable in the research question (weak point). Results with mean > 3 < 4 show a reasonable evaluation with potential for improvement (neutral point). From another perspective, the index with a mean of >3 <4 (depending on the case) in a short period of time may become a weak point. Therefore, the index with mean >3 <4 should be considered as a warning signal. Results with mean > 4 mean a good average and above score (strong point). In order to obtain the values, we initially considered the weighted average  $WA = \text{sum}(\text{frequencies of the answers} \times \text{scales indicated})$  and then we calculated the Average Ranking, expressed by  $AR = WA / \Sigma \text{frequencies of the answers}$ .

According to table 01, each major axis sought to analyze in depth the most relevant aspects, and family businesses is the most relevant when the subject is family succession. A common misconception when the manager thinks about succession is the intention to develop a succession planning with no parameters to carry it out. The thesis that we support in this study is that before developing a succession planning, it is necessary to make a diagnosis that precedes it.

the degree of "influence" of other members of the family, in the expectation that the successor takes the leadership of the company, generates a frequently disastrous intervention in the "successor choice" axis. The "profile" in the choice of successor is a fundamental condition for the manager in his analyzes. However, there are cases in which the successor has the "profile" and, at the same time, has no interest in taking over the organization. Therefore, the great successor choice axis is extremely important in the diagnosis of family succession.

Table.1: Aspects researched in the axes

ASPECTS RESEARCHED IN THE AXES
<b>SUCCESSOR CHOICE</b>
Freedom
Pressure
Profile
Influence
<b>SUCCESSOR TRAINING</b>
General knowledge
Other experiences
Knowledge of the departments
Management training
Incentive
Opportunity
<b>SUCCESSION PLANNING</b>
Execution
Strategies
Knowledge
Disclosure
Transition
Professionalization
<b>DECISION-MAKING</b>
Democratic participation
<b>CONFLICTS</b>
Rivalry
Interference
Family and company separation
Family and company conflicts
Resolution
<b>ENTRY OF FAMILY MEMBERS INTO THE COMPANY</b>
New members
Selection
<b>LEADERSHIP POSITION</b>
Vacancies
Competence
Pressure

Source: Elaborated by the authors.

On the second major axis, successor training, analyzes of "general knowledge" and "knowledge of the departments" are related to the degree of closeness between successor and family business. The sooner the successor is in contact with the company, the greater the chances that they understand the company, adapt to the existing organizational culture, and increase the probability of being accepted by other members (whether they are family members or not). The analysis of "other experiences" reveals the degree of importance given by the manager and successor to a possible successor experience in other companies. Experience in other environments is a great alternative to add knowledge to the future manager. It is possible to identify strengths, weaknesses, opportunities and threats in other companies that can be compared. From these external experiences, strategies can be adopted and mistakes can be avoided, and a range of possibilities is opened to make the successor more prepared and with a greater vision of the market.

The analyses carried out on "Management training", "Incentive" and "Opportunity" are related to the

incentives regarding the formation of successors, whether practical or theoretical (inside and outside the company). In the third major axis, "Succession Planning", the analyses seek to reveal the degree of maturity of the organization with respect to succession. The first step towards good planning is to understand the organization itself by identifying its potentialities and limitations in the context of the relationships between founder, successors, and family members. Understanding of the organization is everyone's liability, whether they are family or not, and it is up to the manager to provide the conditions for such. When we talk about succession planning, some inquiries are needed for the manager of a family business: is there formal planning? The short, medium and long-term strategies are clearly defined? Are family members aware of succession planning? Does the company have an employee prepared to run the company at any time (in an emergency) and/or assist in the transition from succession? In the case of the absence of a successor, has the manager considered the possibility of professionalizing the company? These issues are extremely important and assist in the analysis of the "Succession Planning" axis.

In the fourth major axis, "Decision-making", we study the extent to which "Democratic participation" is present in the company, and its influence on the organization's direction is analyzed. On the fifth major axis, "Conflicts", the analysis seek to reveal the manager's ability to manage the differences and the degree of family interference in the company. Aspects such as rivalry, jealousy and intrigue are present in most family businesses and need to be identified, addressed and minimized. The permanence of these aspects in the medium and long term in some cases lead to the impossibility of elaborating an efficient succession planning.

On the sixth major axis, "Entry of family members into the company", the analysis seek to reveal the degree of family influence in the selection of new employees and whether the manager takes into account the profile of the candidate and not just the relationship, since not accepting a relative in the company can generate occasional inconveniences. However, dismissing a relative when he or she does not meet expectations can lead to permanent conflict and even the inability to dismiss due to strong pressure from other family members.

In the seventh and last lines, "leadership positions", it is analyzed how is made the choice for these positions since relatives have some influence and there are difficulties in demanding results of the family members who have leadership position in the company. Likewise, how complex is the decision to accept or not a relative in the

company since placing a relative in a leadership position requires a lot of caution.

After a brief explanation about the aspects analyzed in each major axis, we show the results achieved in the research. As seen in table 02, there was little divergence in the responses of the manager and successors in the seven axes. This confluence of opinions shows certain clarity among the different generations regarding the process of family succession.

Table.2: Average ranking

Axes	Manager (AR)	Successor (AR)	AR General
Successor choice	3,75	3,5	3,6
Successor training	4,6	4,6	4,6
Succession planning	4	3,6	3,8
Decision-making	4	5	4,5
Family conflicts	2,8	2,4	2,6
Entry of family members into the company	4	4,5	4,2
Leadership position	4,6	4,3	4,4

Source: Elaborated by the authors.

As can be seen in table 03, "Successor choice" (n = 3.6) and "Succession planning" (n = 3.8) are points of alert that require greater attention and analysis of the company. With regard to "Successor Choice" (n = 3.6), although we

Table.3: Average ranking

Classification of axes in descending order	AR = WA / $\Sigma$	Result	Score
Successor training	n= 4,6	> 4	strong
Decision-making	n= 4,5	> 4	strong
Leadership position	n= 4,4	> 4	strong
Entry of family members into the company	n= 4,2	> 4	strong
Succession planning	n= 3,8	> 3 < 4	alert
Successor choice	n= 3,6	> 3 < 4	alert
Family conflicts	n= 2,6	< 3	weak

Source: Elaborated by the authors.

In what regards "Succession planning" (n = 3.8), we detected a concern of both founder and successors about the lack of a qualified employee to take the company in the absence of the manager or to assist in the moment of the transition of power. By worrying about several day-to-day activities, the founder eventually forgets to prepare an employee and/or successor to run the business. As seen in table 03, "Family conflicts" (n = 2.6) are weaknesses and require urgent intervention by the manager. There will always be conflicts within a family business. However, certain factors can increase these conflicts, such as lack of dialogue, disputes between generations, rivalry among siblings, protectionism, jealousy, gossips, among others. Therefore, it is necessary to know how to manage these conflicts so that they do not become unbearable to the point of undermining its maintenance and growth. Lack of communication or communication failure, for example, is a trigger for conflicts, and it is up to the manager to assess the degree of communication within the organization and implement the compensatory mechanisms. Organizations

previously stated that there is certain "confluence of opinions" between different generations, in the "pressure" case, we find that the manager stated that he had never pressured successors to take over the family business. However, the successors considered that there was certain pressure on the part of the manager. There are innumerable reasons for an entrepreneur to open a company, among them we can mention financial independence, freedom to create, do what he likes, control his own future, pride in having developed something, security, flexibility of time, income extra, do not have a boss, work together with the family, provide their own business opportunities for their children, etc.

Whether for one of these reasons or the combination of two or more, the point is that most entrepreneurs tend to unconsciously think of their children taking the company in the future (which is not a problem). The setback is just when they pressure the successors to take over the company. Trying to influence the heirs and to take away their freedom of choice can cause serious problems for the organization by bringing into the company intrigues, doubts and insecurity for everyone.

with a high level of communication tend to solve their conflicts in a faster and more efficient manner. In the case of family businesses, due to the emotional factors involved, communication should be approached as a priority in order to avoid future disagreements and problems.

#### IV. CONCLUSION

The "Diagnosis Model as a Support for Family Succession Planning" proposed here contributes to the topic about succession, but does not finish it. As for the limitations, the model should move forward to analyze other important aspects such as gender, for example. In this way, it is possible to try to reveal the degree of difficulty of the women heirs in disputing the company's leadership with the men heirs and then find out whether or not the founder plays the role of mediator in this situation of possible conflict.

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