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Family Business: how family and ownership shapes business professionalization

Empresas Familiares: como a família e a propriedade modelam a profissionalização do negócio

Empresas Familiares: cómo la familia y la propiedad modelan la profesionalización del negocio

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ABSTRACT
This article's main purpose consists in showing how family and ownership cultures may influence the process of making a "well-performing" organization, based on an empirical study in family business in Brazil. The study aimed to find critical moments of company's history and the focus was to compare critical moments with the three-dimension model of family business development proposed by Davis et al. (1996). Through facts sequence, research was organized so as to find how the process influenced company's professionalization. The article concludes that family and its values and culture may impact on the evolution, and the first step to organize a company is to organize the family that leads the company.

Key words: Family business. Culture. Three-dimensional model. Business professionalization.

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RESUMO

O principal objetivo do presente artigo consiste em mostrar como a família e as culturas de propriedade podem influenciar no processo de desenvolvimento de uma organização de "bom desempenho", com base em um estudo empírico em uma empresa familiar no Brasil. O estudo teve como objetivo encontrar momentos críticos da história da empresa e o foco foi a comparação dos momentos críticos utilizando o modelo tridimensional do desenvolvimento da empresa familiar proposto por Davis et al. (1996). Por meio da sequência de fatos, a pesquisa foi direcionada para saber como o processo influenciou a profissionalização da empresa. O artigo conclui que a família, bem como os seus valores e cultura podem ter impacto sobre a evolução. Sendo assim, o primeiro passo para organizar uma empresa é organizar a família que a lidera.

Palavras-chave: Empresas familiares. Cultura. Modelo tridimensional. Profissionalização da gestão.

RESUMEN

Este artículo tiene como principal finalidad la de mostrar, con base en un estudio empírico realizado en una empresa familiar de Brasil, cómo la familia y la cultura de propiedad pueden influir en el proceso de desarrollo de una organización con "buen desempeño". El estudio fue proyectado para encontrar los momentos críticos de la historia de la empresa y su núcleo lo constituyó la comparación con el modelo tridimensional de desarrollo de la empresa familiar de Davis et al. (1996). La investigación fue dirigida a través de la secuencia de los hechos, para saber cómo el proceso influyó en la profesionalización de la empresa. El artículo concluye que la familia, sus valores y cultura pueden tener impacto en la evolución, y que el primer paso para organizar una empresa es organizar la familia que la lidera.

Palabras clave: Empresas familiares. Cultura. Modelo tridimensional. Profesionalización de la gestión.

1 INTRODUCTION

Organizations may pass through a lifecycle with different phases (QUINN; CAMERON, 1983), where its development in which phase is related with its external environment adaptation. However, family business evolution may be understood based on the external influence on internal changes, and which way maturity factors influence company's internal pressures (DAVIS et al., 1996). Nevertheless, unrestricted of where changes come, social structure and work settings may put up with settlement (HALL, 2004).

Family business has certain peculiar characteristics and must be analyzed, regarding lifecycle in a distinct way. It is also a theme that grows in importance due to the economic and wealth influence of the family business. Around the world, family business represent 80% of companies and are responsible for half of world GDP. Nearly 75% of family companies are in the first generation command, 20% by second generation and 5% by following generations. In Spain, family business represent 70% of wealth, in England 75%, Germany 80%, Brazil, 90% and in the USA, they represent 62% of workforce and 64% of GDP. However, observing the history, only 15% of family business remains with the same family in the third generation.

The lifecycle in family business may be understood based on three aspects: family evolution, ownership structure, and business in itself. The family business usually starts with an entrepreneur, and according to its development, finally ends by doing with other members of family (spouse, descendents, son-in-law, daughter-in-law, grandchild), and changing ownership structure as well (from a controlling owner to a partnership sibling, and after to a cousin consortium) (DAVIS et al., 1996). Family evolution may imply that founder's values do not proceed over time, not being the same over time and do not intermediate the relations. Consequently, the organization is less protected from family disarrangement (DAVIS et al., 1996). Another circumstance is related with

sudden moments, that may lead to an acceleration of succession movements, with absolutely no preparation of the family, ownership and company's management (GALLO; LACUEVA, 1983).

Observing the three aspects of family business, the first dimension is related to structural and interpersonal development of the family, and may be divided in four specific stages, demarcated by active family members age: young business family, entering the family business, working together, and passing the baton. In the ownership structure, Ward (apud DAVIS et al., 1996) suggests that different family ownership structure may result in different aspects of the company. In this sphere, the stages are characterized coming from a controlling owner to a sibling partnership, and after to a cousin consortium. At the company itself, family business complexity is understood based on development stages, known as beginning (building up and surviving), expansion, and maturity (renovation or breakup), and changes from one to another may be gradual or powerful, and may be influenced by ownership control and succession process.

Taking to account that family business lifecycle may be observed from its three subsystems, using the three-dimension family business model proposed by Davis et al. (1996), may be suggested that the professionalization process follows this perspective. This work aims to present a method to identify critical moments in family business evolution and use the Davis et al. (1996) method as a tool to analyze family business evolution. It aims to answer the question: how to verify the family business evolution during its lifetime? A relevant and rare case study of the RBS Group is used. So, this case study is pointed to analyze a family business evolution (RBS Group) and its professionalization process (or the process of making a "well-performing" enterprise), focusing on identify critical moments in its history, and from this point to settle the different lifecycle phases, observing changes that occurred into the three subsystems and how each one influenced or interfered in the professionalization.

2 LITERATURE REVIEW

2.1 Family business and sucession

Over the years, several studies have been written to argue for the need of separation between ownership and control, starting from Berle and Means (1932) conceptual framework. This framework suggests that stockholders and managers are different groups, and the former do not have skills, knowledge or time needed to run a company, causing to the hiring of the latter. Davis and Tagiuri (1989) developed a framework of analysis of the two subsystems in the early 80's. Afterwards, adding the "time" variable to the framework, Davis et al. (1996) presented the three-circle model (family, ownership and business) e the three-dimensional model of family business development. This model allows the observation of family business lifecycle.

Observing the current literature about family business, different studies were pointed to make relations between strategy and structure, or strategy and culture, or even including strategy, structure and culture. Gallo and Lacueva (1983) sustained that family business that had various critical moments and succession movements, adapted strategy and structure in a cycle of events. This cycle present phases not always followed in wholeness. The authors found the following phases: foundation, when structure and strategy are leaded by founder; beginning of succession, where there is a structure in order to maintain a great number of family members related with strategy; and finally, variation among business development, retrocession or structural crisis. This structural crisis is determined by three causes: the need of changes in strategy orientation, the changes on peoples with important responsibilities and the change of legal power structure. However, the research was limited to the relation between structure and strategy. Rowlinson and Hassard (1993) studied the relations involving strategy, structure and culture in a family business, and cited that company's culture became inappropriate when faced by internal and external challenges,

causing changes in structure and strategy and provoking a cultural "re-orientation".

The relation involving strategy, structure and management style was also object of the study of Geller (1980), when observing that related strategies to investment and growth were implemented with better effectiveness by risk-oriented managers with innovative style, and were supported by a structure that allowed freedom of action. On the other hand, strategies to gather were related to risk aversion, conservative management style and a hierarchical structure with limited action. Stevenson and Gumpert (1985) observed that an enterprising focus favors flattened structure and informal network, while conservative management style is related with hierarchical structure and formal authority.

The development of family business is a special topic in studies of organizational change (DAVIS et al., 1996). Two main perspectives may explain the development of family business. The first perspective focus on the effects of external forces, and says that companies should remain open and evaluate external information in order to check from where the pressures for changes are coming. This perspective considers the natural selection process, which means that the whole environment changes, because companies individually prosper, or dies, in consequence of external environment factors (DAVIS et al., 1996). The second perspective considers that the organizations moves in a predictable sequence of periods, also motivated by conditions in the external environment. However, in this perspective, the complex and internal maturity factors are the driving forces of change. These patterns show the organizational lifecycle (DAVIS et al., 1996).

Family business may be described as any company where the founders or descendants continue to keep position in the high step, in the board or among its greater shareholders, or even the succession is based on family ties (LODI, 1998). Family business is the organization where family posses enough participation to lead the business or to indicate a professional to do it. Bernhoeft (1987) simplifies this concept when understanding family business as "an ideal that worked". The direct family control exists when the main executive is a member of the family who controls the organization. Indirect control exists when the main executive is not a member of the family. Moreover, managerial company' control usually exists when family executives dominate the administration board (ALLEN; PANIAN apud HALL, 2004).

In family business, families could impose its agenda on business strategy and management and this "outside" influence may results in altruistic and inclusive postures toward stakeholders (DYER JUNIOR, 2003). Bernhoeft (1987) considers that the familiar aspect is more related with management style than capital ownership. However, family business behavior emanates not from external pressures, but from a deeply ingrained, and a sense of history and morality learned at the dinner table (DENISON et al., 2004; DYER JUNIOR, 2003).

According to Lodi (1998), family business shows strengths and weakness. The weakness could be related to conflicts of advantage; wrong use of company's resources by family members; lack of financial planning and cost control; resistance against marketing improvement; and relatives' favoritism. The strengths were related to employees' loyalty, reputation of family's name, management continuity, ties between shareholders and executives, fast decisions, social and political sensitiveness of the family' managers; and a trait of unity between founder's values and personal visions of current executives. To Gonçalves (2000), the relationship between landlords and employees is more personal than professional and legal, and is based on loyalty and trust. Family business management style and its top management have been studied recently. Nordqvist (2005) shows that the top management of family business has a unique dynamic, created by the social relations of the family firm, and its results in higher cohesion, potency, task conflict, and shared strategic consensus.

However, according to Chua, Chrisman and Sharma (1999), what makes a family business unique is that the pattern of ownership, governance,

management, and succession influences firm's goals, strategy, structure, and the process which each is formulated, designed and implemented. According to Lansberg (1983), studies about family business are important because that the family component shapes the business in a way that the family members of executives in non-family firms do not and cannot.

When observing succession movements, according to Lodi (1998) the worst conflict that plague family business – the succession conflict – is usually a result of structural problems that started 20 or 30 years ago. Davis et al. (1996) says that succession is more than one thing. It is not a unique event that occurs when an old leader retires, but a process moved by a "development clock". Some transitions involve people change, other involve cultural and structural changes. Davis et al. (1996) sustains that however succession is a process based on the three circles (family, ownership and business), in family business it starts usually with questions about ownership. Succession studies usually focus on the event itself, defined by successor evaluation (FISCHER; REUBER; DYKE, 1993). Nevertheless, others studies sustain the need of integrate spheres of influence, in an effort of improve the understanding of succession processes (HANDLER, 1990). Factors as founders' reticence in accept its mortality is a barrier in succession processes, as well as the reluctance in let go the power, or to choose a descendant as successor.

Change and growth are essentials to family business success and continuity (GERSICK et al., 2003). In family companies environment, maturity brings the challenge of adaptation and renewal, or, in other way, the company may decline or disappear (DAVIS, 2002). Pressures for development that follows families and its companies are always acting, creating the need of change. Evolution may signify the need of professionalization. According to Lodi (1998), professionalization is the process in which the familiar or traditional organization assumes managerial procedures more rational, up to date, and less personal. It is the substitution of intuitive methods by non-personal and rational methods. To Bernhoeft (1987), the act of makes an organization professional does not mean to take out familiar control and give to an outsider executive. The family business may be feasible and its professionalization needs to be done from inside to outside. According to Lodi (1998), family members that are capable may remain as professional managers. Through professionalization, the family company starts to work in a different way, usually taking apart some leaders from its previous posts, changing support systems and implementing new policies and procedures. The business professionalization may have impacts on organizational culture. Professionalization means new employees, new technologies, new planning systems, controls and effectiveness management.

2.2 Three-dimensional model of family business development

During its lifecycle, organizations may pass through different phases. Some authors suggest that changes follow a predictable pattern characterized by development stages (ADIZES, 1979; GREINER, 1998; KIMBERLY, 1979; LAVOIE; CULBERT, 1978; LYDEN, 1975; TORBERT, 1974). Those stages are considered sequential in nature, occurs in hierarchical progression not easily reverted, and involves a wide range of organizational structures and activities (QUINN; CAMERON, 1983). However, the family business lifecycle must be understood under the logic of its three sub-systems: family, business and ownership. The contingencial perspective considers that the organization' entrepreneur style itself is not desirable in all circumstances, and higher levels of performance reached by innovative companies suggests that the organizational structure must be aligned with company's enterprising orientation (COVIN; SLEVIN, 1988). The founder may starts as entrepreneur, with a wide range of qualities, but in a specific moment, a transition occurs in its values, vision, identity and behavior, and this is the family business origin (DAVIS et al., 1996).

At the formalization stage, organizational stability, production effectiveness, rules and procedures, and conservative tendencies symbolize the organization. Or else, using goals establishment and accomplishment; productivity; information and communication management; stabilization and control. While goals accomplishment, productivity and effectiveness are clearly important during most of organizational lifecycles, is at formalization that those rational criteria are strongly emphasized by lifecycle theorists.

In family businesses, individual must be inside of one, two or three groups: family, business and ownership, and situations inside each one must have implications in others. Consequently, the search for familiar organization understanding through its lifecycle, must be supported by the understanding of the family and ownership' behavior. Davis et al. (1996) presented the Three-Dimension Model of Family Business Development, and it is used as a referential to analyze familiar organization, because its involve relations among its three subsystems.

Family business usually starts with an entrepreneur, and with business growth, is considered as controlling owner. When this owner takes into account the rest of shareholders and family members opinion, the company starts to operate as a sibling partnership (DAVIS et al., 1996). According to Bernhoeft (1987), business continuity and development needs a different way of doing from who starts the enterprise. When new family members enter into the organization, and with both evolution, the company operates as a cousin consortium. One of the most problematic aspects in this transition is about family values, which means that is difficult for siblings to understand that family ties will not be the same among its descendants. There are forces that destroy connections in all parts of the family company: interpersonal conflict, distance and lack of common experiences, familiar disturbs originated from deaths and divorces, and the raising changeability of economic and financial benefits of being involved with the company, among family members (DAVIS et al., 1996).

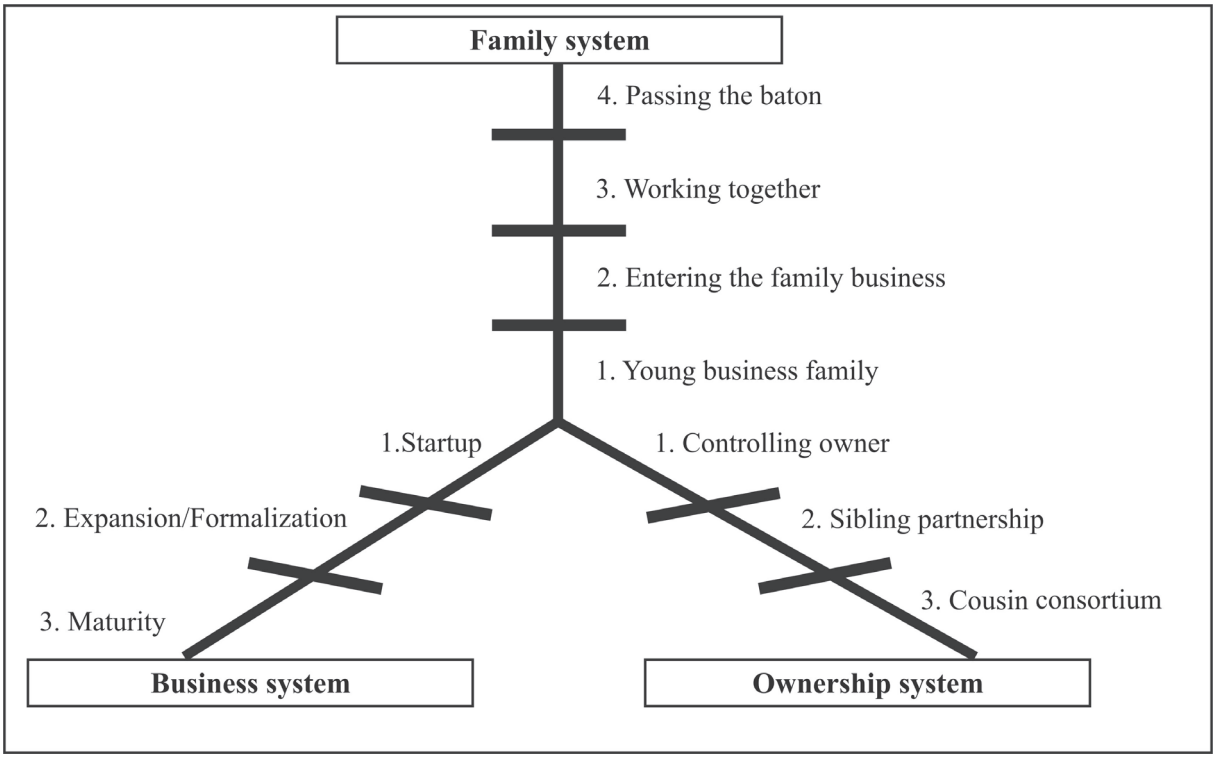

Figure 1 – Three-dimension model of family business development.

Source: Adapted from Davis et al. (1996).

At the ownership dimension, Ward (1987) sustains that different ownership forms result in company's different aspects. Davis et al. (1996) suggests that the evolution of ownership must be maintained through different types of shares and multi-generational combinations, and those shares combinations are the foremost characteristic of the development stage at family business. The controlling owner stage is where are launched the sources for family business centrality: culture, strategy and values (DAVIS et al., 1996). At sibling partnership, formalization means that the "hands on" old style must be abandoned, managers need new qualifications and knowledge, structures and processes must be aligned with the whole industry, and information systems become truly important to an adequate coordination. The cousin consortium stage suggests the development of policies used to protect company's interests. That is why a professional Corporate Board must be developed. Besides, according to Davis et al. (1996), the fundamental question is to maintain the company sensitive, creative and disciplined. At this stage, one of the alternatives is to organize the company as a holding, which remains as major owner of the shares of group' companies. According to Davis et al. (1996), for each change at ownership structure, similar changes occur at business and family dynamics, at the power level kept by executive and non-executives shareholders, and at financial demands of the company.

The family dimension includes aspects as marriage, paternity, relationship among adult siblings, siblings-in-law and fathers-in-law, communication patterns and family roles (DAVIS et al., 1996). The "young business family" stage is characterized by intense activity, involving marital partnership and dilemmas about the beginning of adult life. The "entering the business" stage occurs when families need to promote the entering of the young generation at adult and productive life, besides the definition of entering criteria, career planning and transition. At "working together" stage, it has to be managed the complex relations among fathers, siblings, siblings-in-law, cousins and children of different ages. At "passing the baton" stage, transition is the focus of concern.

At business dimension, according to Davis et al. (1996), the "startup" is represented by efforts involving formation and survival, and the owners/managers are in the center of everything, organizational structures are minimal and informal, procedures are defined only when necessary and changed in most of cases. Communication come from the owner or is made by it. The company usually is focused on one product or service. At "formalization/expansion" stage, the evolution exists in different areas, structures, and organizational procedures are more formalized, there is authority delegation, decentralization and lower direct control. When a company stops its growth at this stage, owners and family have to reevaluate its commitment. Yet, at the "maturity" stage, challenges are about renewal or dissolution, and exists the traditional functional differentiation, the objective is stability, and there are lower growth expectations.

The change from one stage to another must be gradual or drastic. However, according to Davis et al. (1996), this change usually occurs in a sudden way, and most of the times, in response to provocative events. Besides, the transition of ownership control and management to members of young generations may lead the company to a fast growth. When companies moves through generations, is almost inevitable that they are in more than one stage, and sometimes they are at the three development stages at the same time (DAVIS et al., 1996).

Considering the critical moments that affect family business, any movement in each of the three subsystems may represent a critical moment. For example, familiar succession, or yet, the entering of the second and third generations, a change in ownership structure, or even a business crisis must configure critical moments.

3 METHODOLOGICAL PROCEDURES

The universe of research comprehends family companies sector and the research subject was intentional, based on a family media company – RBS Group. The choice of the company was

based on the relevance of its evolution as a family business, the premature death of the founder, and the succession process that was intentionally pursued by the owners. It makes the case relevant and rare in the Brazilian context. RBS Group is also an important company in the Brazilian media sector. However, the case does not represent a sample, which means that the goal is to expand the theory and not to enumerate frequencies.

Anyway, the lifetime observation of a company is important and fundamental as unique resources, management decisions and social ties influences its evolution and future competitiveness (PORTER, 1991).

This research is based on a qualitative approach and non-experimental or *ex post facto*, in order to find the better production of findings. The process is based on a singular case (YIN, 1994), because it is a deep analysis at a unique organization. Qualitative researches are in many cases broader and more holistic in perspective than quantitative tools, and do not use statistic tools in the analysis process (RICHARDSON et al, 1985). According to Yin (1994, p. 1), "case studies are the preferred strategy when 'how' and 'why' questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context".

The research outlines are descriptive (BABBIE, 1998) and the methodological procedures used had a longitudinal perspective design, because it focus is on occurred changes in family, business and ownership subsystems since the startup, from 1957 to 2005. An historical analysis allows the examination of questions that involve evolution and change, what makes important longitudinal studies. The unit of analysis is the organization, and research elements were members of the RBS' three circles: family, ownership and business, belonging to the company's top management. The research elements were: President of the Corporate Board, President, Executive Vice-President, Units Vice-Presidents, Executive Directors, Director of Santa Catarina's office and Director of São Paulo's office.

The case methodology relies on multiple sources of evidence. As a qualitative research, one of the pillars is interview technique. The investigation process was based on interviews with company's top management, totalizing nine research elements, allowing a deep covering, in order to understand what the interviewed considered as more relevant aspects of the problems. Another structural pillar was participant observation (RICHARDSON et al, 1985), in order to comprehend habits, attitudes, interests, personal relations and characteristics of organizational life. The secondary data came from documental analysis, using historical registers and documents. The lifecycle analysis is punctuated by critical moments lived by the organization. This identification of critical moments was based on immediate observation of top management members, which described phenomena by its more direct known about it, including executives, family members and owners. The analysis was based on the analytic description, oriented by theoretical referential and inferential interpretation. The data collection took place in the period between October 2005 and January 2006.

4 DATA PRESENTATION AND ANALYSIS

RBS is a multimedia company that operates in southern Brazil and its mission is "helping people communicate with the world". Was founded in 1957 by Maurício Sirotsky Sobrinho, RBS' multimedia framework is revealed by its own portfolio: 26 radio stations; 18 Broadcast TV stations affiliated with Globo Network (the largest in South America), representing the country's largest regional TV network; two local TV channels; six newspapers; an Internet portal; an operation unit targeted to the rural segment; and a logistics company. In addition, RBS programs the Gaúcha Sat Radio Network, comprised of 123 affiliated stations operating in 10 Brazilian states.

The ownership structure is composed by three holdings IMA, JAMA and FEC. IMA belongs to Ione Pacheco Sirotsky (widow of the founder) and her four sons/daughters (Nelson,

Pedro, Suzana and Sônia), and keeps 51% of company's shares. JAM belongs to Jayme Sirotsky' family (Jayme, Sérgio, Marcelo and Milene), and keeps 41% of company's shares. FEC, by its turn, belongs to Fernando Ernesto Corrêa and sons, and participate with 8% of company's shares. Those three holdings control the holdings RBS Par S.A., created with the objective of including Group investments in non-regulated areas of broadcasting. Nowadays, RBS Par keeps shares in the following companies: Net Communication Services, RMD Brazil and RBS Interactive. RBS Par is also keeper of "RBS" brand. With the new shareholders agreement, the three holdings also control the new holding: RBS Controlling and Affiliated. The organizational lifecycle, according with research results, shows seven different moments. These critical moments (GALLO; LACUEVA, 1983) will be verified using the tridimensional model of family business development proposed by Davis et al. (1996).

4.1 From 1957 to 1968

The "fundamental stone", characterized by the purchase of Gaúcha radio station, points the first period at RBS history. There were "buy and sell" movements of Gaúcha television station, and at the end of this period, the two brothers, Maurício and Jayme, become partners, and it is the first movement of the family business configuration. According to Davis et al. (1996), this is typical movement of enterprising action that configure itself as family business. The company's history and its corporate culture are identified with its founder values: respect for human being, daring, innovation and visionary leadership. This phase has as foremost characteristic the passage from controlling owner to sibling partnership inside the same generation.

Mauricio Sirotsky Sobrinho was considered a dreamer idealist and visionary and a charismatic leader, whose lessons were passed to workers in all levels of the organization. The founder, with his brother and the third partner, Fernando Ernesto Correa, brought to the company a new way of thinking in those times when media companies were stuck in old habits. According to Mauricio's son, Nelson Sirotsky, founder visions about localism and multimedia are still around nowadays. It was some kind of intuitive strategy of growth: respect to the local culture.

4.2 From 1968 to 1971

The second period is characterized by the origin of the family business, when Maurício invites its brother Jayme to work, and together they start to design a company, and they create the "work partnership": the visionary and idealistic brother and the security and "step-on-floor" brother, sharing a high level of complementariness, a typical characteristic, according to Davis et al. (1996), of a first generation family business. At this point, strategic decisions' control are with the first founder, through centralized structure, confirming Davis et al. (1996) theory that ownership control allows strategic and operations decisions' control. Policies and procedures are informal and are launched beliefs about growth and positioning, influenced by founder' principles.

4.3 From 1971 to 1986

The second generation entering occurs during a survival crisis, when the unique word was "economize", in a surviving fight. Founder's son, Nelson Sirotsky, 17 years old, starts its work life at RBS, as well as Maurício' sons-in-law, in a typical movement of family business, in which the founder brings its sons to work, to help, and does not matter if they are qualified or not. At this point, the first founder gives signs about Nelson' preference. According to Davis et al. (1996), in this phase, founder, or founders, invites family members to help business development, and this entering occurs without criteria. The company starts its growing process, sons and sons-in-law are attracted, and this characterized the family subsystem axis, named "entering the family business".

The research data shows that at this point, organization starts to develop strategies to perpetuate, and establish a future vision, also enriched by former experiences about problems and conflicts in others family lines. The history shows that Sirotsky family was already passed through a relationship crisis related with a former business, and this possibly contributed for the search of a professional family business at RBS. Besides, family members early started to listen specialists. This is confirmed by the professional advice of João Bosco Lodi, hired in early 1971, to prepare Nelson Sirotsky to professionalization challenges. Lodi was the most important Brazilian consultant in family business. This characterized one of the family values: to be a professional family business.

In 1981, shareholders started to try to organize the company. Until that, the three circles were one inside the other, though were the same persons. The shareholding organization tries and circle separation were frustrated, because it was a difficult matter due to organizational, family and ownership informality. In 1986 the first founder, Maurício Sirotsky Sobrinho, dies victimized by an ascending aorta aneurysm. It was the origin of a new partnership: the partnership between Maurício's widow and sons with Jayme.

4.4 From 1986 to 1991

The beginning of the fourth period is characterized by the involuntary succession. The shareholding composition is restructured and Jayme Sirotsky takes the post of company's President. At this time, RBS pass through a transition period – the brother assumption and founder's son preparation to take over in a short period of time. From this moment, RBS was located in an intermediary stage at ownership subsystem axis. With Mauricio's death, the relationship was between one-and-half generations – a curious fact, not so common. Another important element drives again to a family business characteristic, the startup with a high level of structure and procedures informality. When Maurício and Jayme regain TV Gaúcha control in 1968, they establish that Maurício should keep 55% of the shares, Jayme 45% and Fernando Ernesto 10% of the shares, which leads to a 110% partnership. This fact shows that no only business, but also ownership, were based on informality.

At this time, there was emotion along the process. Maurício and Jayme were embarrassed of discussing ownership shares. In that occasion, Ione Sirotsky posture at her husband succession was exemplar. She could, as shares' keeper, pretended to take over RBS control, but preferred to entrust to her brother-in-law, minority partner, until Nelson's maturity. This movement should be changed company's curse. She trusted in family ties, in the Jayme's capacity of leading the business, in the security of her son's preparation to take over in the future. In this way, it is a sign of what founders wanted as a professional family business.

It can be observed that from 1986 to 1991, occurs a truly transition phase: there is a values' continuity, begins a new shareholders agreement, the Corporation Board that includes family members and professional advisers, there is the identification of shareholders convergence, and the management model starts it way to professionalization. The partners' behavior in this occasion denotes the search for preserving the business above the family.

4.5 From 1991 to 1998

The fifth period at organizational history is characterized by ownership re-composition, the existence of the effective Corporate Board, and the existence of three holdings (IMA, JAMA e FEC). RBS stats to have a clear strategy, oriented by international consultants, the mission and values are created, the investment is pointed to increase the size of the company, the diversification process starts (cable TV, data processing companies, Real State), human resources policies and rewards are established, structure changes to Business Units (or profit centers), processes and meritocracy are added, the first emission of papers at international

market takes place, the profitability increases, and RBS doubled its size. At this phase, the strategy concept changed from intuitive to classic. There is the beginning of professional' succession, rules about new family members entering are established.

From 1991 shareholders/family members decide to organize the organization in a different way, creating the three holdings, which together keeps 100% of company's ownership. At this time, the strategy is oriented by the American' consultant firm, Booz Allen and Hamilton, and mission and values are established. It is no longer the "familiar" culture defining business strategy. This phase shows that the second generation takes over and change company's systems. It must be suggested that the company pass from informality to formalization of its structures. When the company was "nothing", everything was informal, and every family member was "owner". However, when the company became an "empire", shares definition is important, and need to be formalized. Before, everyone is "owner", but with the arrangements, the holding IMA is dominant.

At family subsystem, the 90's marked important changes. In middle 96, Jayme's sons, Sérgio and Marcelo, starts to revaluate its business participation. Marcelo decides to leave the business, and together with Sérgio, they started to coordinate the JAMA arrangement. In this period, with the discussion of personal projects of life, they conclude for the need of external help. This phase ends with 98's crisis, and it was possibly the major crisis at RBS' history, and it started by a rupture of a consortium with Telefónica of Spain. The debts contracted by the creation of Net (cable TV) that should be solved by the merger between CRT and Tele Brasil Sul (a holding created in order to participate of purchase of telecommunications public companies) went through short term' debts. Yet into the crisis, RBS changed its business strategy: went out from Telesp, sold ZAZ (Internet access provider), and sold its shares at CRT, using part of generated money to pay 175 million dollars debt, that was contracted to finance telecommunications businesses.

4.6 From 1998 to 2001

The sixth period at RBS' history begins with the 98'crisis. After the frustrated attempt in entering at telecommunications business, there is a strategic change, including selling some business (ZAZ, NET) and focusing on the company' core business, in southern Brazil. It is a moment of business maturity in the family. But in 1999, jumping in the bandwagon of the "Internet bubble", RBS worked with McKinsey & Company to develop a new project: RBS Interactive, that was finished a year after. This is a fact that reflects the organizational behavior related to strategy. During the period under Nelson's command, RBS was totally opened to consultants. Primarily with Booz, Allen and Hamilton, that helped to drawn the structure based on business units. After that, McKinsey, that helped with some projects related to Internet and "share of pocket" projects.

The RBS Interactive episode points the moment of focus loss. RBS started to operate as a regional multimedia company focused on the consumer. The multimedia value is on, but the logic was based on integrating customers with products and services, trying to makes a media company become an exchange intermediate. This episode drained financial and human resources, and caused a slow down movement at the company' core business.

At family and ownership subsystems, this period accelerate the professionalization. Part of this, because of the holding JAMA, whose owners were worried with the importance of stay together in order to take care of its position at the company. They perceived that when their father leaves, the structure of the relationship should change. And with this analysis, they understood that were not prepared to represent 41% of the ownership. So, they decided that one of them should go "inside" (as an executive) and the other should go "outside" (Corporate Board). After that, they started an advising process with Renato Bernhoeft, and it started a new phase at RBS, that was supplemented with the process with John Davis. Working with Davis, RBS starts possibly the most important moment through its professionalization process.

John Davis is considered the world's best family business' consultant. At this time, family realizes that the company would not guarantee survival for the whole family in the future.

4.7 From 2001 to 2005

The seventh period starts with the definition the actual structure. Some definitions were established about rules for family members at the company, and during 2002, some professionalization procedures were taken as the take on of the new CEO (Chief Executive Officer), an outsider, which took over company's operations. The new corporate governance was established, composed by an Executive Management, Corporate Board, and Shareholders Board. At this time, family reaffirmed its commitment with company.

This phase is characterized by the effective professionalization of the company, in its three subsystems: family, ownership and business. The family develops necessary tools to the process, the organizational values are reaffirmed and the sense of ownership was pointed out. The management system became highly formalized, and the number of family members at Executive Management reduced. The Corporate Board and the Executive Management controls the strategy process, and "methodology" became the center of management processes and execution. A family member is maintained as President (Nelson), with a professional CEO leading business operations and Jayme Sirotsky as President of the Corporate Board, focused on represents shareholders concerns.

From 2002, RBS was configured as a cousin consortium. The holdings IMA, JAMA and FEC represent the private capital and are the mechanisms to organize and decide for a potential IPO (Initial Public Offering - type of a primary offering, which occurs whenever a company sells new stock). In 2003, the creation of Executive Vice-President post is aligned with the decision of complete the professionalization in the right way. The Family Council and Family Meeting, and objective criteria developed to take apart emotion from process. Some tough decisions were taken: some second generation members had to leave the company.

However, the outsider executive provoked some reactions in professionals there were in line of succession at the company. Nevertheless, at the family those discomforts did not occurred. It should mean that family is the element that makes the company professional. So, one of the aspects of three circles separation is to take the first step: make the family professional, which means that the family has to look at the business in a professional way, and don't in an emotional way. And it starts with family members and owners comprehension that the business is not going to grow at same rates than family. In a certain moment, family members share wealth, but in the future, probably will share the poverty, and this is usually the change shock.

In fact, family and owners took a step back to understand what they really wanted of RBS business project, how growth was going to be taken, to reinforce beliefs and create the tools to execute the business project. Formalized rules to family members access to company maybe is one of most important examples. At ownership professionalization, it has to exist a vision of shareholders, and not of executives, and to treat the ownership through holdings model in order to create stability to shares' control. RBS created the procedural tools to avoid family members nomination and emotional evaluations.

Looking to the seven critical moments of RBS' evolution, the figure 2 shows them through lifecycle.

5 FINAL COMMENTS

This research was pointed to analyze the professionalization process of a family business through its lifecycle, observed from the relations among family, ownership and business, based on RBS Group's case. With the development of a lifecycle model that represented the three subsystems, the research was conducted in a way to identify critical moments and succession movements, and verify if ownership and family

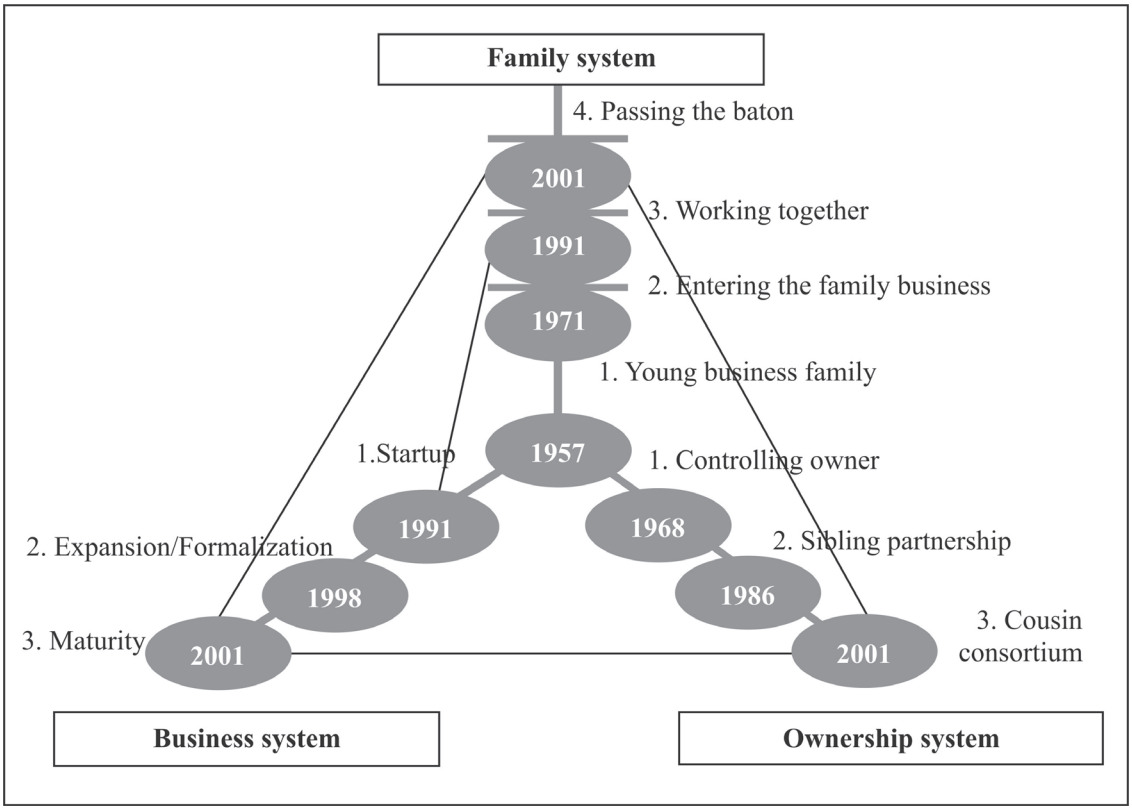

Figure 2 – Critical moments at RBS lifecycle.

dynamics influenced the professionalization process. The first meaning observation is that the company development occurred in a sequence of phases, and the focus of changing from a phase to another were in internal factors related to organizational maturity, with some influence of external factors in some cases. Besides, RBS live a drastic change with the founder' death in 1986. The second generation entering occurs in the middle of a survival crisis. When second generation is "giving orders" is when faster expansion occurs, as well as the re-organization based on business units.

In 98' crisis, after a phase of faster expansion, owners and family re-evaluate its commitment with the business and pointed towards effective professionalization. At this time, familiar maturity marked the separation between emotion and process. According to Bernhoeft (1987), family remains giving orders, but the movement was "inside out", maintaining family members that fitted to new rules. The company approaches the cousin consortium phase and the organizational structure show that the leadership will be conducted by the holding IMA. Family develops policies to protect business interests, and the Corporative Board become effective and professional.

From 1991 to 2000, RBS was helped in its strategy process by international consultant firms. And the history shows that the solutions created by those firms, helped to throw the organization inside its major crisis. And after the crisis, consultants developed a new strategic model based on exchange intermediate, and it caused a waste of money, and a loss of focus. And the point is that a consultant must develop solutions together "considering" companies, not despite them. Cultural heritage played a significant role in the behavior related to growth. However, combined with the lack of formalization and execution processes, and considering external advising cycles, the observation concludes that was an anxious and disorientated growth, which leaded to 98' crisis. Besides, in 1999, with a new advising cycle, the growth took place "outside" company's core business, with a daring strategic proposal, which leaded to a new damage.

During the professionalization, with the outsider running company's operation, organization became more formalized, with process and routines, related to rules and discipline connected with company's goals. Besides, the research shows that the professionalization begins in 1971, when a family business specialist was contracted in order to help the second generation. When the first founder died, there was a decision motivated by maturity. The experience in former business certainly helped this decision. But in the command transition to the second generation, the shareholder structure was defined and holdings are created. In the professionalization, there was a movement started in one side of the family to pays more attention at investments than operation. Finally, after the crisis, family and ownership systems started a process helped by external consultant in order to approach more effectively the professionalization criteria.

However, this "professional model" is based on the existence of dividends, because the family just works when it is paid for. According to Davis et al. (1996), the company must deliver profit, sense of control and pride, but result is the name of the game. In the past, there was some misunderstanding about the role of each of three circles. The second generation' process was established and a homework about third generation entering started. Family usually growth more than business, but RBS' merit was to adjust family circle and to apply and execute a corporate governance model.

In middle 90's RBS became bigger than it owners, and this was a mark in its history. However, in the future family' complexity will be bigger that family, two process were started. The first was to make a professional family business, and to make necessary adjustments to take apart emotion from business. The second was to re-organize the company, based on international patterns, keeping central values, and go for growth, based on a potential stock selling. But there is one fundamental element in the process, during the first transition, caused by first founder's death, the major shareholder (founder's wife) decided for the competency, instead of keeping management control.

The research conclusion may suggest that RBS is a great company because of its family. First, a visionary founder that was taking risks in order to growth. Second, a sibling partnership that wanted for a professional family business. And finally, the member of second generation that take the President post was aligned with founder's values. Davis et al. (1996) cited that for each change in ownership, similar changes occur in business and family systems, and power level of shareholders and in financial demands. However, RBS' case shows that company's re-organization started by family organization.

The research suggests, as an empirical contribution, that the first step to make a professional family company is to make a professional family, because it will support a spring of difficult decisions in business and ownership structures. RBS must be considered a family group that was effective in its professionalization process, and the source is in its organizational values, that were developed by company's founders. It also suggests that despite the professionalization movement of RBS the family and its values are still important for its future.

Another contribution of this work is the method used for the identification of critical moments in conjunction with the Davis et al. (1996) model, seem to be adequate for the analysis of family business life-cycle regarding succession and evolution.

This relevant case study gives some opportunities for future research to verify the importance of family values and the preparation of the family relatives for the business for the future professionalization of the business.

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