DUDALINA S/A: Case Study on How to Overcome Succession Barriers on a Brazilian Family Business

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ABSTRACT

This research presents a single, failure, descriptive case study regarding family business succession in a fashion clothing company in the south part of Brazil, Dudalina S/A. Family business is responsible for 60 per cent of direct employment and 48 per cent of national production in Brazil. Family business is defined as a business controlled in total or majority and managed by family owners for more than one generation. Only 5 per cent of Brazilian family businesses reach the third generation of family owners. This research investigates, therefore, what are the main barriers present in Brazilian family businesses succession and throws more light on how to prevent and to overcome such pitfalls in order to reach successful transition to future generations, while investigates the succession process of Dudalina S/A, in which struggle for power divided the family and ended with the company sold to two North American private equity funds.

Keywords: family business, succession process, negotiation

INTRODUCTION

This research investigates best practices to overcome succession issues in Brazilian family business through failure case analysis. After the death of one of the co-founders of Dudalina S/A, the family matriarch a clash for power among 16 direct heirs, brothers and sisters culminated with the selling of the company to third parties. Two North American private equity funds acquired the control of Dudalina S/A in 2013 for approximately $ 400 million. Therefore, the research question aims to understand what is the importance of adopting preventive strategies for succession and dispute resolution within family business.

A large number of corporations once started operations with individual entrepreneurs supported by family efforts kept successfully throughout generations. Some of them evolved into a more complex organizational architecture. Most likely, the offspring of the family business comes from the Ancient Egypt, where, ‘every man was bound by a religious principle to follow the occupation of his father and would be committing the most nefarious sacrilege if changed to another’ (Adachi, 2006, p. 23).

Family business is a sort of organization, which Greek word organon means tool or instrument. Organizations are, therefore, systematic arrangements between two or more people with common purpose connected by an external environment in which roles are pre-defined (Katz e Kahn, 1987; Robbins, 2000). It is also a business controlled in total or majority and managed by family owners for more than one generation; at least one member of the family is in charge of current administration. The family may control the majority of shares and, at least, one member of the family is a member of the board of directors (Bower, 2007). According to Hughes Jr. (2004), family business is an effective way to preserve and to expand wealth and intellectual assets within a group.

Background

Family business in Brazil is deeply rooted in colonial and imperial periods (1500 - 1889). The system of Capitanias Hereditárias, was created by Dom João III, King of Portugal (1502–1557) who divided the former colony in 15 large territories and distributed among settlers, forbidden to sell the land, which passed from generation to generation among family members. The system was formally abolished in 1821, when family businesses had over 300 years of existence as the only way of doing business in Brazil. Today, almost 95 per cent of companies in
Brazil are family business\(^1\), mainly composed by small companies\(^2\), which are responsible for 99 per cent of Brazilian market\(^3\). In Figure 1, Brazilian companies are compared to European ones in number of employees and gross revenues, as shown:

**Figure 1**

Brazilian versus European Companies Fiscal and number of employees classification

<table>
<thead>
<tr>
<th>Classification</th>
<th># employees</th>
<th>Annual Gross Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brazilian Companies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empreendedor Individual - EI (individual entrepreneur)</td>
<td>1</td>
<td>up to $ 27,000</td>
</tr>
<tr>
<td>Microempresa - ME (microenterprise)</td>
<td>up to 9</td>
<td>up to $ 170,000</td>
</tr>
<tr>
<td>Empresa de Pequeno Porte - EPP (small enterprise)</td>
<td>10 to 49</td>
<td>up to $ 1,600,000</td>
</tr>
<tr>
<td>Empresa de Médio Porte (medium enterprise)</td>
<td>50 to 99</td>
<td>$ 1,600,000 +</td>
</tr>
<tr>
<td>Empresa de Grande Porte (large enterprise)</td>
<td>100 +</td>
<td>$ 1,600,000 +</td>
</tr>
<tr>
<td></td>
<td>250 +</td>
<td>$ 31,600,000 +</td>
</tr>
<tr>
<td><strong>European Union Companies</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>up to 9</td>
<td>up to $ 1,470,000</td>
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<td></td>
<td>up to 10</td>
<td>up to $ 7,350,000</td>
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<td>&gt;50</td>
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<td>&gt;250</td>
<td>up to $ 31,600,000</td>
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Price Waterhouse Coopers (PWC, 2010\(^4\)) conducted a study which pointed among 100 representative companies in Brazil within family businesses with performance in product sectors and Commercial and Industrial Services (89 per cent); technology, information, IT and entertainment (6 per cent) and financial services (5 per cent). Mostly the companies have more than 50 years of activity (46 per cent), with the following distribution, shown as follows in Figure 2:

**Figure 2**

Brazilian Family Business Scenario by position occupied within the company

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\(^2\) Companies are classified according to annual gross revenues as: individual enterprises (Empreendedores Individuais), microenterprises (Micro Empresas) and small enterprises (Empresas de Pequeno Porte).


FAMILY BUSINESS IN BRAZIL: features

According to SEBRAE (2014), family business in Brazil have the following positive and negative characteristics:

**Positive characteristics**
(a) Operating lean administrative structure, single, centralized command, allowing for quick reactions in emergency situations, united around the founding group; (b) Availability of self-financing resources obtained from compulsory savings made by the family; (c) Important community and business relationships resulting from a respected name; (d) Loyal and dedicated internal organization, based on mutual trust, regardless of family ties. The formation of bonds between former employees and owners play an important role in the performance of the company (employees throughout the years are sometimes considered part of the family);

**Negative characteristics for the first generation (founder alive)**
(a) Authoritarianism and austerity of the founder in excess, with little openness to new ideas coming from the second generation in command. (b) Exclusive dedication to family business, with strong emotional bonds, influencing behaviors, relationships and decisions of the company; (c) Seniority as compelling attribute that exceeds the requirement of effectiveness or competence; (d) Expectation of employees’ high fidelity and submissive behavior; (e) Clash for power between members of the family’s first generation.

**Negative characteristics for the second generation**
(a) Lack of central command can generate a very rapid response to meet the challenges of the market; (b) Lack of planning for medium and long term; (c) Lack of preparation / training for the heirs; (d) Conflicts that arise between the interests of the family and the company as a whole; (e) Lack of commitment in all areas of the company, particularly with respect to profits and performance; (f) Capitalization of the company by the heirs for their own enjoyment; (g) Strong nepotism without orientation to objective criteria for work performance; (h) Clash for power between members of the family’s second generation, with lack of effective interest and participation of second generation in daily family management.

The negative characteristics of both generations revealed different sort of conflicts within family business. However, over 44 per cent of Brazilian companies do not have a contingency succession plan involving familiar conflict prevention or conflict resolution (PWC, 2010), as shown in Figure 3. Conflict Resolution plays an important part at the succession family business planning. Therefore, shall be fostered by family businesses, as a fair mean to solve controversies in order to preserve the integrity of business and family.

Nevertheless, the PWC (2010) points optimism in Brazilian family business regarding to economic scenario, due to Brazil World Cup 2014 and Rio Olympics 2016, despite the 2008 global economic crisis impacts.

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The Family Business Consulting Group, regarding to succession matters concluded in the USA that only 20 per cent of the investigated companies remain in the market for more than 50 years, who also found that found that weak next-generation successor was observed as one of the most significant threats to long-term family business success (Ward, 1997). Only 5 per cent of Brazilian family businesses reach the third generation of family owners, which is responsible for 60 per cent of direct employment and 48 per cent of national production in Brazil and at least 85 per cent of the overall number of Brazilian companies (IBGE, 2012). Therefore, family business has been proving to be a hot research topic throughout history.

**METHODOLOGY**

The present interpretive research, combines in-depth interview, archival research and descriptive case study (Yin, 1988). Primary data was gathered through qualitative interview, rooted on Goffman’s (1959, 1961) dramaturgical theory. The unit of analysis is the succession process occurring within the Brazilian clothing company Dudalina S/A, under research (Yin, 1988). The case is also supported by the Agency theory, ‘useful addition to organizational theory’ (Eisenhardt, 1989:58).

The agency dilemma or principal–agent problem or agency theory occurs when one principal hires an agent to make decisions on principal’s behalf. ‘The principal agent relationship should reflect efficient organization of information and risk-bearing costs’ (Eisenhardt, 1989:59). The dilemma exists because instead of compliance with principal’s interests every time, the agent may act regarding self-interest rather than those of the principal.

The unit of analysis is the contract between agent and principal (Eisenhardt, 1989). In Dudalina S/A case, therefore, conflicts of interests between agent and principal are remarkably exposed. Agency theory can be applied to relationships between employer-employee, shareholder-CEO, lawyer-client, buyer supplier, among others (Harris and Raviv, 1978). The Dudalina S/A CEO, Sonia Hess, was accused by shareholders in Brazilian justice to sell Dudalina S/A based on self-interest (Santa Catarina, 2012), as described later in this article.

Two in-depth key qualitative interviews were conducted through semi-structured questionnaires sent by e-mail. Two out of two respondents were invited by e-mail. Primary data were collected by audio recording and written statements. All respondents answered one hundred percent out of four questions posed. All interviews were conducted entirely in Portuguese and then translated into English. Quoting was formally allowed. Data gathered were transcribed and coded through descriptive and In Vivo coding, to ‘honor the participant’s voice’ (Saldaña, 2013, p. 91). Primary data were then analyzed through text analysis. Secondary data were investigated through archival research based on data available in Santa Catarina Court, where litigations were judged as well as the company’s website.

**Research limitations**

The strongest and most reliable evidence researched here are the court records on the liquidation of Commercial Society (Santa Catarina, 2014). The present cross-sectional research is limited to Dudalina S/A succession process on the third generation managers (see Figure 5 ahead), when the presidency will be passed for the first time to a family outsider. It is also focused on the case unit - Dudalina S/A – with its brands and its shareholders. Stores, retail chain, industries are not the interest on the present research. This article does not investigate the lives or the prior relationship among the heirs and family members on the succession process through hermeneutical cycle. It is restricted to qualitative interviews and archival research. This research is also limited to Brazilian tax, business and succession Laws, since Dudalina S/A is a Brazilian company subject to National Laws.

**Legal limitations**

Brazilian companies are regulated and classified according under Federal Law 9.317/96 and Complimentary Federal Law 123/06, who established the National Statute of Micro and Small Businesses - SIMPLES National. When a given company expands its activities and revenues in such a way that overpass SIMPLES’ limits, another form of framing is necessary. Therefore, Dudalina S/A is restricted to Lei da Sociedades Anônimas or Federal Law 6,404 from December 15th, 1976.

Succession rights in Brazil is regulated by Brazilian Civil Code, supported by Law 23,232 of January 10th, 2002, is in force since January 11, 2003. Succession rights are part of Book V, Articles 1,784 to 1,896 (Brasil, 2002).

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Dudalina S/A: Background

Dudalina S/A, a familiar business, was founded in May 3rd, 1957 in the South part of Brazil, Santa Catarina State, city of Luis Alves by the couple Rodolfo Francisco de Souza Filho e Adelina Clara Hess de Souza, married since 1947. Initially they commercialized fabric and stuff related (Frölich, 2005). According to Souza, (2002), in 1955 the couple acquired a great lot of fabric with excellent price and conditions but only in 1957 the couple decided to enter the clothing business. The company received the name Dudalina S/A, a juxtaposition of the founders’ nicknames, Rodolfo (Duda) and Adelina (Lina). The anchor was chosen to represent Dudalina S/A, symbol of stability and solidityness (Souza, 1996), as shown in figure 4:

1957 2014

Figure 4
Dudalinhas’ logos
Source: Dudalina (1959,2014)

Initially established at Santa Catarina on a rent place, the family decided to buy fabric from São Paulo, in order to manufacture shirts. In 1959, the couple acquired clothing manufacturing equipment from Mr. Cassio Medeiros, in Blumenau, Santa Catarina (Souza, 1996, 2002). Facing difficulties, the couple sold male shorts to Colégio Santo Antonio (local high school), in exchange of their sons’ education. The young couple had 16 children. In 1969 the company moved to Blumenau, Santa Catarina. In 1974, Anselmo, the oldest son, assumes the presidency. In 1982 the company built a new facility, in Fortaleza, district of Blumenau, which operations were full transferred in 1984. At that occasion, Dudalina S/A operated with its own brand as well as licensed of other products (Souza, 1996, 2002). From 1985 to 1986, five industrial units were built to expand the familiar business. In 1987, the brand Individual was created. In 1988, they acquired one building at São Paulo, where the offices and sales departments took place. In 1989, the company registered a growing of 250 per cent from 1984 to 1989 and changed command from the oldest son, Anselmo José Hess de Souza to the younger brother, Armando Hess de Souza (Frölich, 2005).

In 1991, Dudalina S/A expanded operations to all publics, from male/female, to youngsters and even newborns. In 1994, the brand Base was created. In 1996 Dudalina S/A already was one of the Brazilian clothing/fabric market leaders (Souza, 1996, 2002). In 1997, Dudalina S/A decided to keep focus on male fashion and rearranged all business, facing strong Chinese competition.

In 2003 Sonia Regina Hess de Souza, 6th son of the couple was elected president by the members of the board of directors. In 2006, it is created the Dudalina S/A Concept, which gather the brands Individual, Base and Dudalina S/A in stores. In 2007, they celebrate the 50th founding anniversary and in 2008 reached the impressive mark of 50 million shirts produced. In the same year, one of the co-founders, Adelina, passed away. In 2011, one more plant is launched in Blumenau, Santa Catarina. In 2012, Dudalina S/A inaugurates a shop in the Center Fashion Milan, Italy and a store in Panama. Succession is an important matter for Dudalina S/A administration, since 16 direct heirs are counted, sons and daughters of the couple.

In 2013, Dudalina S/A had 6 factories and 73 stores throughout Brazil, with gross revenues of $ 200 million and approximately 1,400 employees.

Dudalina S/A has the following shareholders composition: major shareholder companies Adro Administration S/A (54.4 per cent of the shares) and Villa Holdings S/A (with 17.49 per cent), which, in turn, are formed by fifteen brothers Hess de Souza. These companies are privately held, belong to the family group and concentrate the family assets (Santa Catarina, 2014).

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7 For further information, see: http://dudalina.com.br/sa/empresa/
Adro has in turn, 6.67 per cent of the shares for Rene Murilo, 6.67 per cent of the shares for Renato Mauricio and the rest of the shares divided among the other brothers. Villa has 83.14 per cent of shares hold by Adro, Rene and Renato hold 1.12 per cent of the shares each and the rest of the shares divided among the other brothers. (Santa Catarina, 2014).

Dudalina S/A succession challenge: 16 direct heirs and the power clash
In 2008, after the death of Adelina Clara Hess de Souza, co-founder of Dudalina S/A, all heirs - 16 brothers and sisters - started a clash for power within the family. The succession line, in legal terms starts with the spouse and descendants. If there are no descendants (children, grandchildren, etc.), the ascendants (parents, grandparents, etc.) are contemplated. However, if neither ascendants nor descendants are alive, the spouse will inherit. But, if neither spouse, siblings inherit, and if no siblings, nephews and, if no nephews, uncles inherit. Finally, if none of these people are alive, then the municipality inherits.

Without a clear dispute resolution and succession plan designed and established to deal with the future of the company, the heirs are divided in two groups: one group of 11 brothers and sisters (including the company president, Sonia Hess) and other group with 5 brothers, among them the oldest son of Rodolfo and Adelina, Anselmo José, Dudalina S/A’s former CEO and Vilson Luiz, chief of Dudalina S/A’s Board of Administration for almost two decades. Among many differences, roughly one group was in favor of keeping the business focus on industry and the other on retail chain.9

In 2009, René Murilo, industrial director was fired by her sister and president, Sonia Hess (the second oldest sister among five). Anselmo and Vilson started a campaign to promote Murilo to Dudalina S/A presidency on a board meeting: 10 heirs voted for Sonia and 5 voted for Murilo. The family was divided in a clash for interests. From 3/3/2010, eight brothers who together gathered 53.36% of Adro S/A, signed a shareholders’ agreement and began voting together (Santa Catarina, 2014).

In 2013, another board meeting was scheduled to sell Dudalina S/A to a foreign investment group. This time, Sonia got 8 votes favorable to complete the operation. An extremely tight winning, since the total score was 9 votes to 7 (8 votes plus Sonia’s).

Dudalina S/A is sold to North American private equity funds
Dudalina S/A, one of the biggest companies of the Brazilian fashion market, after 57 years as pure family owned business was then sold to two North American private equity groups, in 2014: The Advent Group and Warburg Pincus by approximately $ 400 million (both groups acquired 72.27% of the Dudalina S/A’s shares). The Advent Group is one of the most influential private equity funds in North America and holds operations of $ 32 billion in assets. Warburg Pincus is from New York, founded in 1966, and holds operations in more than 125 companies with more than $ 35 billion in assets (Falcão and Resende, 2014).

The new owners, faced legal issues in Brazil questioning the validity of the operation. They kept Sonia Hess in the presidency of Dudalina S/A. Sonia Hess declared: “I am at Dudalina S/A as president while I provide results. If someday I won’t, I will have the humility to leave” (Aguiar, 2013, p.1).

Dudalina S/A will continue as a family business, because holds the presidency as well as some shareholders and members of the board.

As retaliation, the brothers Rene Murilo and Renato Mauricio, decided not to sell their shares to the new buyer.10 Sonia kept 6.31% of the shares, against 21.42% of other shareholders, including her dissident brothers (Falcão and Resende, 2014).

In 2013, Sonia Hess de Souza was elected by Forbes Magazine, the 6th most powerful businesswoman in Brazil11. The same magazine reported a concentration of wealth on family businesses: “Out of the 65 Brazilian billionaires listed by FORBES in our latest World’s Billionaires list, 25 are blood relatives”.12

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Conflict in family: Brothers fight each other for the control of Dudalina S/A

Since 2012, the brothers Rene Murilo and Renato Mauricio launch lawsuits against Dudalina S/A to which the authors intend, among other providences to withdraw from the corporate structure of the required ADRO S / A Directors and, in turn, the VILLA Participações S / A. Still aim to pass the ownership of these shares DUDALINA of S / A belonging to companies and ADRO VILLA within the limits of their holdings in these two societies and, alternatively, the settlement of their social participation in DUDALINA S / A (Santa Catarina, 2014, pp.286-306).

In one of the lawsuits, they argued:

a) ADRO and VILLA suffered breakup remaining with the group's properties and going to the established firms (ADROPAR and VILLAPAR) shares of DUDALINA S / A; b) two international funds acquired control of ADROPAR; c) reduction of dividends (that estimate is 5.37% to less than 1%) affect them directly, since most of its interest is linked to the holdings; d) aims to carry this only force the withdrawal of the minority shareholders of the Company for settlement in much lower value than that practiced in the market and e) the institution arbitration and the change of the registered office of the company, in turn, hinder the defense of rights, evidencing the intention of harming the authors again (Santa Catarina, 2014, pp.286-306).

The judge, Vivian Carla Josefovicz, from the Districit of Blumenau, 2nd civil court, dismissed the process in case n° 008.12.006738-0 on April 24th, 2014 (Santa Catarina, 2014). In other words, the Dudalina S/A selling transaction was confirmed. The conflict within the family reached its peak. Therefore, the Dudalina S/A succession process proved to be very difficult and costly, and is analyzed in the next section.

Dudalina S/A succession dispute analysis

According to Vancil (1987), any succession process can be compared to a horse race or, ultimately, passing the baton, like an athletes’ competition. In the former, some signal is given to a number of potential candidates and the race for the presidency or power is on. The latter is marked by previous knowledge to whom the baton will be passed to. Therefore, the Dudalina S/A succession process in both first and second generations are remarkably similar to a passing baton and the third generation to control Dudalina seems like a horse race, as described by Vancil (1987). In either case, the executives who lost the “race” tend to abandon the company (Bower, 2007). The family administration and succession process is shown on Figure 5, as follows:

![Figure 5: Dudalina's presidency](source: Dudalina, 2014)

Dudalina’s succession: first and second generations

The Dudalina S/A’s first management generation is deeply rooted on co-founders administration. The second generation encompassed two sons and one daughter of Rodolfo and Adelina. The presidency has been alternated between brothers of the same generation during the last 40 years. This fact is probably possible due to the unusual number of brothers (N=16). The first and second generations of Dudalina managers’ process is remarkably influenced by the co-founders. The family business expanded activities, readapted to new market forces, became one of the largest fashion companies in the Brazilian market.

Dudalina’s succession: third generation

The third generation of succession process, however, is marked by the death of the co-founder Adelina and succession process for the third generation Dudalina S/A management. The family interminable internal conflicts pushed the situation to a limit and selling the company seemed to be the best alternative to this case. Therefore, the family disputes resulted in family division and relationship disintegration, turning practically impossible to reach a common solution that could satisfy all parties involved on the succession process. Successful negotiations result when parties ‘amicably and efficiently discover that the best way to advance respective interests is for each of you to look elsewhere and not to try further to reach agreement’ (Fisher, Ury and Patton, 1981:54). The cooperative environment among brothers, held by the co-founder Adelina, apparently vanished when she passed away in 2008 and the claims about the spoils became increasingly competitive as the time went by. According to David Lax and James Sebenius, ‘there is a central, inescapable tension between cooperative moves to create value jointly and competitive moves to gain individual advantage. This tension affects virtually all tactical and strategic choices’ (Lax and Sebenius, 1986, p.30). Therefore, the dispute among brothers divided the family and contaminated the whole succession process, with the ultimate solution bringing loss to both parties: the company being sold to outsiders.

The three circles model and Dudalina’s succession

Family business can be classified in three dimensions, according to the three circles model proposed by Gersick et al. (1997). This model is a useful way to represent parties involved in a family business succession process and therefore is adopted here and shown in Figure 6, as follows:

![Three circles Model and Dudalina S/A](image)

Source: Gersick et al, 1997, Dudalina, 2014

Distributive x Integrative disputes in Dudalina’s succession

Disputes can be classified theoretically in distributive or integrative (Raiffa, 1982). Therefore, the dispute among brothers and sisters in Dudalina S/A case is integrative because involves many issues, such as sell and future control of the company, shares distribution among others.

Interests related to Dudalina’s succession

Interests play an important part on every family business succession. Therefore, it is important to understand which interests are related to Dudalina’s case. According to Christopher Moore (2003), there are three types of...
interest: (a) substantive; (b) psychological and (c) procedural interests. Therefore, examples of interests in Dudalina succession case are: (a’) substantive: money, company shares, positions in the company, presidency, other company assets and resources; (b’) psychological: desire for recognition, desire for safety, desire for acceptance in a group, desire to be respected as a valuable member of the family and (c’) procedural: right to participate in the company meetings fair succession process, fair dividends/equity/shares process division and arbitration process to solve contingencies (both argued in the lawsuit - see Santa Catarina, 2014). There are evidences of incompatible interests during the Dudalina’s succession process, which overlap the interests of the other brothers, such as divergences on positions to be occupied - especially the presidency and about Dudalina’s sale.

Dispute Outcomes to the Dudalina’s succession

Interests give birth to positions. While analyzing interests can be productive in order to determine common interests, to investigate interests and positions give birth to possible outcomes. “Your position is something you have decided upon. Your interests are what caused you to so decide.” (Fisher, Ury and Patton, 1981, p. 42). Therefore, in order to investigate outcomes it is mandatory to investigate interests and positions. Thomas (1976), investigated five possible outcomes to any given dispute, based on positions assumed, including Dudalina’s case, as shown on Figure 7, as follows:

The left side of the Figure 7 (see #1) shows the five possible outcomes to any given conflict are shown as follows: (a) win: party A has absolute power and force the outcome to A Win, B lose. In this case, future relationships are not essential or not a great concern (Moore, 2003; Fisher, Ury and Patton, 1981, Thomas, 1976); (b) impasse: Parties A and B are in a stalemate and the outcome is an impasse; (c) compromise: Parties A and B reach a compromise agreement, in which ‘some parties give up some of their goals to obtain others’ (Moore, 2003, p.107), where parties have no absolute power to force a win-lose solution; (d) win-win: Parties A and B reach both the maximum possible outcome, where both substance and relationship of the disputants are important, where mutual cooperation is important, where the strategy of Mutual Gains Approach - MGA (Susskind and Field, 2006) reaches its maximum results and (e) lose: party B has absolute power and force the outcome to B Win, A lose. Other possibility, by the point of view of A, as if A makes full concessions to B. In this case, the relationship is more important than the substance in a given dispute. Most importantly, outcomes (a) and (e) show ‘satisfaction of the interests of the disputants is not dependent on their mutual cooperation’ (Moore, 2003, p. 106). Ultimately, positions (a) win, (b) impasse and (e) lose evidence competitive outcomes, while positions (c) compromise and (d) win-win evidence cooperative outcomes.

The right side of the Figure 7 (see #2), shows the integrative dispute among the 16 brothers and sisters about Dudalina’s succession. The litigation involving the divided family had a favorable judgment decision on April 24th, 2014 to Sonia Hess and the 10 brothers, dismissing the other party’s request as discussed on previous sections (see Santa Catarina, 2014). By comparison, the win-lose outcome had the direct impact on future relationship among members of the family. The company’s sell was ratified by Brazilian Justice and Sonia Hess remained on Dudalina S/A presidency.
The case, however, seems far from a final solution. Despite the last outcomes, Rene Murilo and Renato Mauricio did not sell their shares to the new owners in retaliation, remaining at Adro and Villa with their original shares, as minor shareholders.

DISCUSSION
In the previous section, Dudalina S/A’s family administration was exposed as well as the succession process, contaminated by family litigations taken to Brazilian Justice. Joseph L. Bower (2007), researcher from Harvard Business School for the last 40 years and expert on the subject, claims that companies’ succession process is a disaster and, therefore, near 60 per cent of the companies even has a succession plan.

Bower also highlights the concept of ‘inside outsider’, as the most suitable for the future president profile: someone from the company, but with enough distance to run it like it was recently acquired. In this regard, Sonia Hess de Souza declared to be preparing a new successor for the business command, an ‘inside outsider’:

My successor, I am preparing, is a director who has been with us a long time. We speak almost every day). I share all the actions that I take. I’m training him to actually be my successor, and is not from family. (Aguiar, 2013, p.1).

Conflict Resolution Plan
Disagreements and problems are common to any relationship. Problems can be discussed and solved conjointly within the family. Or not. Sometimes it is possible to postpone the problem or even to avoid it. Sometimes the parties are not able to solve problems anymore and need a third party like a mediator to help them find a solution (Moore, 2003). A succession plan is desirable for every family business. A conflict resolution plan should be worked out with anticipation. Nevertheless, the escalation of the conflict, shown on Figure 8, should be avoided, as follows:

1. The founder or co-founder must anticipate the conflict. This include actions such as prepare the whole family for the transition with all due legal aspects involved, for instance, establishing meritocracy and fair criteria of succession selection which includes planning the succession process and planning the conflicts in anticipation. A competition like a horse race among family members for the successor may divide or even destroy a family.

2. Have a succession plan with due anticipation. A successor must be the one who attends to a set of transparent criteria established by the founder before passing the command to the successor. For instance, Jack Welch, former General Electric (GE) president took four years to narrow a list from 23 to 3 candidates, and two more years to select the future GE president, a total of six years (Bower, 2007).

3. Have a conflict resolution plan with due anticipation. A conflict resolution plan should involve a Mediator, i.e. a third party inside or outside the family responsible to help parties to find a solution. According to
Moore (2003, pp.146-147), the following items should be considered, among others, to devise a mediation plan: (a) what are the psychological conditions of the parties? (b) What are the issues to be discussed? (c) Who should be the mediator? (d) What are the best place and physical infrastructure arrangements to be made? (e) What rules will be established in the process? (f) What are the master guidelines for the mediation to be established? (g) How will the items agenda be organized?

4. The conflict resolution plan should use the Mutual-Gains Approach. Recommended by Susskind and Field (2006, pp. 37-38), it is a process based on 6 principles: (a) acknowledge the concerns of the other side; (b) encourage joint Fact finding; (c) offer contingent commitments to minimize impacts if they do occur; promise to compensate knowable but unintended impacts; (d) Accept responsibility, admit mistakes and share power; (e) act in a trustworthy fashion at all times and (f) focus on building long-term relationships. ‘When we review, however, the way they translate into concrete actions, it will be clear that they reflect a profound shift from traditional ways of doing business’ (Susskind and Field, 2006, p.38). Mutual Gains Approach is a guideline that should be encompassed to any conflict resolution plan because of its simplicity and trustworthiness.

5. Once the successor is chosen, the antecessor should resign and leave the full control to the successor. Once the successor officially takes command, the antecessor shall resign and not be working in parallel. This attitude creates conflicts and cast a shadow of competition between the new and the old power among associates, dividing dangerously the associates, who tend to take sides.

6. Keep transparency. This is valid for the entire process within the family. The twin brothers Rene Murilo and Renato Mauricio, for instance, claimed in court transparency in the Dudalina’s sales process and had the claim was accepted by the judge in charge of the case (See Santa Catarina, 2014).

7. Focus on interests, not positions (Fisher, Ury and Patton, 1981). This statement should guide all steps through any succession and conflict resolution plans altogether. Focus on interests avoid the parties being trapped on deadlocks and impasses provoked by their choices. The more potential successors are in the process, the more interests there are. Focus on positions facilitates side-taking, which in turn creates division.

8. Be focused in the future not in the past. Keeping focus on past grievance is not the course of action in order to (re) build trust or confidence nor to solve complex problems. The focus in the past creates a vicious cycle in which parties keep entangled more and more inside the problem, ignoring the solution and give birth to conflict escalation.

9. Adopt clear and fair criteria to select the successor. Bower (2007:161), recommends the following set of criteria to select a successor in the presidency of a company: (a) leadership skills, such as active listening and active speaking abilities, high ethical standards; (b) vision skills, such as strategic orientation and guidance to business; (c) operation skills, such as capacity in managing operations, generate products; (d) dealing with clients skills, such as strong relationship with key-clients; (e) finance skills, such as understanding relationship between operations and finance sector and (f) relationship building skills, such as dealing with board of administration, relationship with investors, shareholders and political support to company programs.

10. Make the succession transition smooth. Once chosen, the successor need to be prepared to the new challenges, with due anticipation. It may take some time to catch up to the new function, especially if an outsider is the successor chosen. The metaphor of passing the baton is valid here: on a competition, the next athlete to carry the baton starts running before the baton to be passed; the transition occurs with both running. While the first decelerates, the second accelerates; both balance theirs speeds and therefore, make the transition smoother (Bower, 2007).

11. Build consensus among the board of administration about the successor. It is almost a consensus between theorists and pragmatics of corporate governance the opinion that the ‘principal responsibility of the administration board is the CEO succession (Bower, 2007:189). It is important, therefore, to strengthen politically the successor.

12. Separate family property from leadership. According to Bower (2007: 230), this is the first step to a success in family business.

13. Cultivate good relationship among members of the family. A positive aura of cooperation and friendship, mutual respect and value creation culture within the family members can help avoiding, anticipating and solving disputes without family disintegration and should be combined with recommendation #3 (conflict resolution plan), to reinforce consensus building among members of the family as well as to provide a structured path to solve controversies with minimum damage to the family structure.

14. Family succession should not be exposed to media prematurely. Destructive emotions or irreconcilable atmosphere among family members may arise if a family member disclose vital information to media without family participation and consensus and disintegrate the family. Sudden public announcements are not recommended.
Finally, the ultimate recommendation for researchers is revisiting the case in the near future, to investigate how successful was the Dudalina S/A transition to the new owners, as well as the succession process to the new generation of managers, the impacts on market share, revenues, expansion/retraction of activities about changes described here. Also investigate the impact of lawsuits and the relationship among family members, (re)assuring Dudalina S/A to continue as family business throughout generations or not, despite the epic efforts of the co-founders, Rodolfo and Adelina, to keep the family and the business united.

REFERENCES


