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BRAZILIAN FASHION BUSINESS DUDALINA S/A: CASE REVISITED

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Dudalina S/A is one of the major fashion clothing family business in Brazil. Adelina, the last co-founder and family matriarch passed away in 2008. The remaining heirs - 16 brothers and sisters, disputed the control of the company, which culminated on selling Dudalina S/A to private equity funds inn 2013. However, less than one year, on September 2014, Dudalina was resold to the Brazilian Group Restoque three times more expensive than the former acquisition. This sudden turnaround led the authors to revisit the case, broadening the views on the lessons learned and bringing more light about Family Business and conflict management subjects.

Keywords: Family business, Conflict management, Lessons learned, Negotiation.

Introduction

The aim of the present study is to examine possible ways to overcome hurdles in the succession process of Brazilian family businesses, by using a failure case analysis. After the passing away of Adelina Hess de Souza, one of Dudalina's co-founders and family matriarch, a power clash arose among the 16 direct heirs, 11 brothers and 5 sisters. The conflict culminated with the selling of the company to two American private equity funds, in 2013, for US$400 milion. Less than one year later, however, the organization was re-sold for almost the triple of that initial price. Therefore, this research seeks to comprehend the importance a precautious approach on succession strategies and conflict resolutions, especially those regarding family businesses.

A great proportion of today's big organizations first started as individual entrepreneurs supported by their families, whose success carried on through generations. In some cases, the heirs made changes in the oganizations' structure, providing conditions for a higher level of development and for the more competitive environment.

Studies say that the tradition of family businesses 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). Since then, the teaching of skills and development of family careers has been a custom in several different cultures.

One of the features of family businesses is that they usually tend to set all the efforts of the family towards the company. Other characteristics of this type of enterprise are that it is frequently controlled 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 also; 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

In Brazil, 95 per cent of the companies are family businesses[1]. In that category, most of them are small companies[2], responsible for 99 per cent of Brazilian market[3]. Figure 1 shows Brazilian companies, compared to European ones, as follows:

Classification	# employees Brazilian Companies *	# employees European Union Companies ***	Annual Gross Revenues Brazilian Companies **	Annual Gross Revenues European Union Companies ***
Empreendedor Individual - EI *(individual entrepreneur)*	1	-	up to $ 27,000	-
Microempresa - ME *(microenterprise)*	up to 9	up to 10	up to $ 170,000	up to $ 1,470,000
Empresa de Pequeno Porte - EPP *(small enterprise)*	10 to 49	>50	up to $ 1,600,000	up to $ 7,350,000
Empresa de Médio Porte *(medium enterprise)*	50 to 99	>250	$ 1,600,000 +	up to $ 31,600,000
Empresa de Grande Porte *(large enterprise)*	100 +	250 +	$ 1,600,000 +	$ 31,600,000 +

Source: *Federal Law 9.317/96 and Complimentary Federal Law 123/06, **Instituto Brasileiro de Geografia e Estatística, IBGE (2014).

*** Recommendation 2003/361/EC from European Comission, from May 6th, 2003

Figure 1. Brazilian versus European Companies Fiscal and number of employees classification.

In 2010, Price Waterhouse Coopers (PWC, 2010[4]) led a study on family businesses in Brazil. The research sampled the 100 most representative family companies in Brazil, 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:

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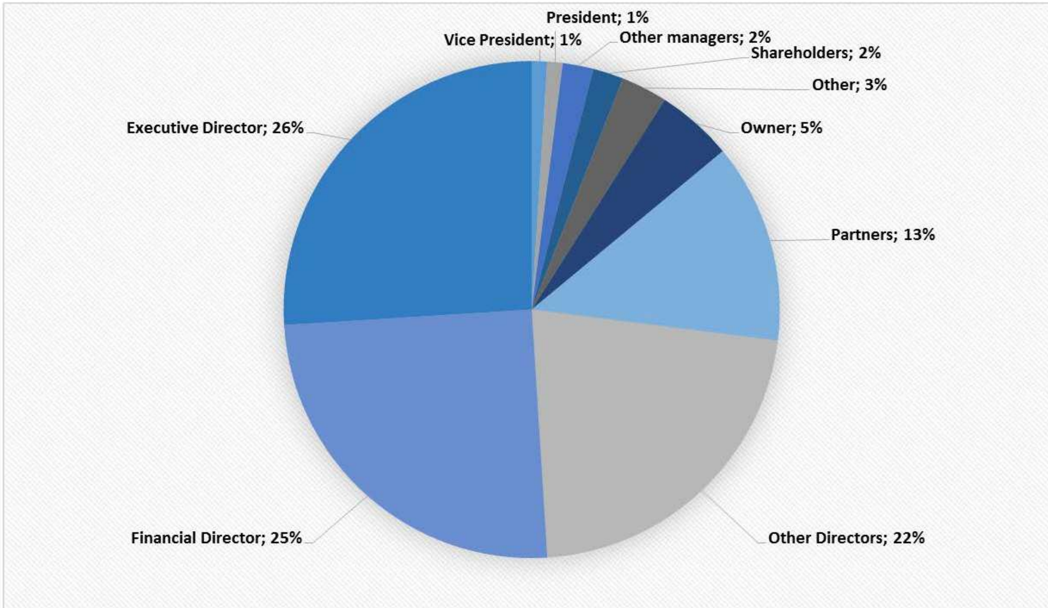
[1] See SEBRAE (2014). *Características dos Negócios Familiares*. Retrieved from http://www.sebrae.com.br/sites/PortalSebrae/artigos/Conheça-as-características-de-negócios-familiares, accessed on 25.06.2014.

[2] Companies are classified according to annual gross revenues as: individual entrerprises (*Empreendedores Individuais*) , microenterprises (*Micro Empresas*) and small enterprises (*Empresas de Pequeno Porte*) ,

[3] See: BNDES - Banco Nacional de Desenvolvimento Econômico e Social; Porte das empresas brasileiras, retrieved from http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/porte.html, accessed on June, 2014.

[4] For further information see: PWC (2010). *As empresas Familiares no Brasil*: pesquisa 2010. Retrieved from http://www.pwc.com.br/pt/publicacoes/assets/empresa-familiar-brasil-11A.pdf. Accessed on 25.06.2014.



Source: PWC, 2010

Figure 2. Brazilian Family Business Scenario by position occupied within the company.

Family Business in Brazil: facts

Familiar Business 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). These numbers point to the fact that this type of enterprise is a quite important component of Brazil's scenario.

SEBRAE - *Serviço de Apoio às Pequenas e Micro Empresas* – published in 2014 a document[5] regarding the attributes of family businesses in Brazil. According to the document, the most remarkable ones are:

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

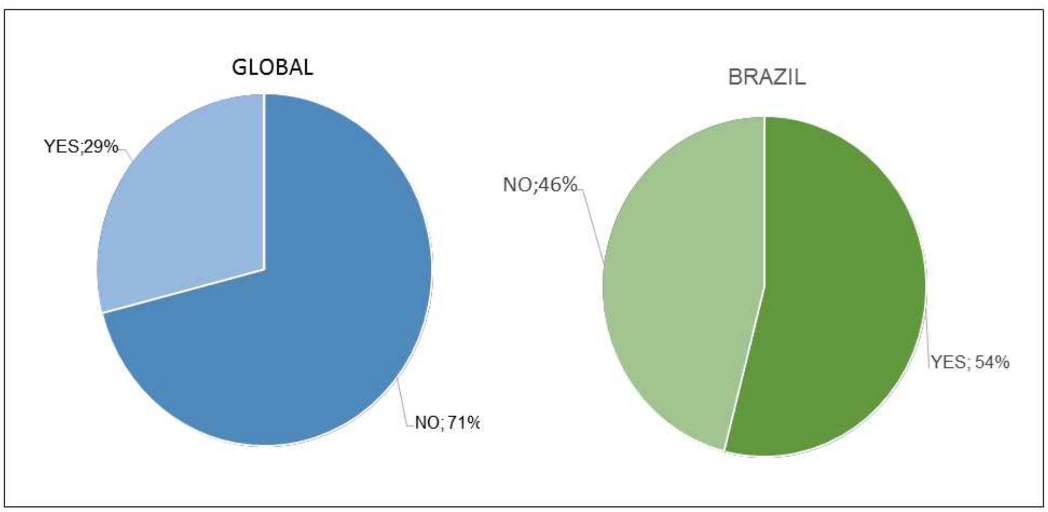
[5] See SEBRAE (2014). *Características dos Negócios Familiares*. Retrieved from http://www.sebrae.com.br/sites/PortalSebrae/artigos/Conheça-as-características-de-negócios-familiares, accessed on 25.06.2014.

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 disadvantages in both cases (first and second generations) present topics regarding conflicts within the family business. Nonetheless, PWC's study in 2010 has shown that more than 44 per cent of Brazilian family enterprises do not have a succession strategy that considers these in terms of preventing and solving them, as displayed in Figure 3. Conflict Resolution has an essential role in the general succession planning for family businesses, given the recurrence of such conflicts and the risk they represent to the companies. For this reason, it is encouraged that family businesses cultivate such strategies, as an impartial way to deal with clashes, with a view to protect both the company and the family.



Source: PWC, 2010

Figure 3. Conflict Resolution plan within the company.

In the USA, the Family Business Consulting Group, studying succession patterns, reached the conclusion that only about 20 per cent of the companies endured in the market for more than 50 years. The study also identified that *weak next-generation successor* was one of the main hazards to success of a family business in a long term perspective. (Ward, 1997). In spite of the numbers (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) only 5 per cent of Brazilian family businesses reach the third generation of family owners. Therefore, family business has been proving to be an important research topic for Brazilian economy.

Methodology

The present study seeks to meet the topic with an interpretive approach, combining in-depth interview, archival research and descriptive case study (Yin, 1988). Primary data was collected through a qualitative interview, based on Goffman's (1959, 1961) dramaturgical theory. The chosen unit of analysis is the succession process occurring within the Brazilian clothing company Dudalina S/A (Yin, 1988). The case is also supported by the Agency theory, 'useful addition to organizational theory' (Eisenhardt, 1989:58)[6].

The agency theory, or agency dilemma arises when an agent is hired by a principal, to control a company and make decisions on the principal's behalf. 'The principal agent relationship should reflect efficient organization of information and risk-bearing costs' (Eisenhardt, 1989:59). The impasse begins when instead of seeking the principal's interests, as contracted, the agent seeks their own interest. The agency theory can be applied to relationships between employer-employee, shareholder-CEO, lawyer-client, buyer-supplier, among others (Harris and Raviv, 1978). In the Dudalina S/A case, the CEO, Sonia Hess, was charged by the shareholders, her siblings, with selling 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. 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 and CADE - Conselho Administrativo de Defesa da Economia (Economic Defense Administrative Council) as well as web search.

Research limitations

The most solid and reliable data available for this case study are the court records on the liquidation of Commercial Society (Santa Catarina, 2014). This cross-sectional research limits itself to Dudalina's development on the succession process regarding the third generation managers (see Figure 5 ahead), when the front office will be handed for the first time to someone outside the family. The study 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[7]. This research is also limited to Brazilian tax, business and succession Laws, since Dudalina S/A is a Brazilian company.

Dudalina's operations are under and restricted to *Lei da Sociedades Anônimas* (Law 6,404 from December 15th, 1976).

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[6] 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.

See: [7] Santa Catarina, Estado (2014). *Autos n° 008.12.006738-0. Ação: Dissolução/liquidação de Sociedade Comercial (cpc Antigo)/Lei Especial*. Poder Judiciário. Comarca De Blumenau. 2ª Vara Cível.

Dudalina S/A: Background

Dudalina S/A, a familiar business, was founded in May 3rd, 1957 in the city of Luis Alves, Santa Catarina State, by the just-married Adelina Clara Hess de Souza and Rodolfo Francisco de Souza Filho.

The name Dudalina comes from Duda (short for Rodolfo) and Lina (short for Adelina). One anchor was first symbol designed to represent Dudalina S/A, transmitting stability and solidness (Souza, 1996), see figure 4:

Source: Dudalina (1959,2014)

Figure 4. Dudalinas' logos.

Originally, the company settled in a rented place in Santa Catarina, when the family decided to start buying fabric from suppliers in São Paulo, as to manufacture shirts. It was not until 1959, when they finally purchased manufacturing equipment,that Dudalina really began to gain its character as a clothing company (Souza, 1996, 2002). Adelina always dreamed about a big family. She envisioned 20 children, but they had 16 children[8], instead.

In 1991, Dudalina S/A expanded operations to female public (originally mens'shirts).

Armando left the presidency in 2003, Anselmo José and Vilson Luiz defended the external hiring of a new president. However Adelina decided for Sonia Regina Hess de Souza, 6th child of the couple as president by 11 of the members of the board of directors. The other five, positioned as a stronghold against Sonia's leadership. 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[9] reaching the top rank of hosiery industry in Brazil. When Adelina, passed away in 2008, the pressure was too high to manage. In 2009, Sonia fired Rene Murilo, Production Manager, increasing the discontentment among the brothers. This group tried to destitute Sonia from the head of the company, but they lost. Nevertheless, the relations eroded even more (Dias, et al, 2014).

Sonia launched an ambitious marketing plan repositioning brand and price strategies, aiming at the high value/high price market, increasing the price and remodeling the production to include business women as a target. From 2010 to 2013, the income tripled and the profit was tenfolded, strengthening Sonia's CEO position. 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. Dudalina is represented today by a fleur de lys, ancient French monarchy symbol and owns two other brands: Base and Individual, as figure 5 shows as follows:

[8] For further information, see: http://dudalina.com.br/sa/empresa/
[9] See Dudalina (2014). Dudalina. Retrieved from http://dudalina.com.br/sa/empresa/. Accessed on 07.07.2014.

Source: Dudalina S/A

Figure 5. Individual and Base logos.

Dudalina S/A Succession Challenge: 16 Direct Heirs and the Power Clash

As mentioned before, in 2008, after the death of Adelina Clara Hess de Souza, co-founder of Dudalina S/A, all heirs – a total of 16 siblings - disputed power among members of the the family. Without a clear dispute resolution and succession plan designed and established to deal with the future of the company, the heirs dissociated in two groups: one group of 11 brothers and sisters (supporting the current company president, Sonia Hess) and the other group with 5 brothers, including the oldest of the siblings, Anselmo José, Dudalina S/A's former CEO and Vilson Luiz, chief of Dudalina S/A's Board of Administration that opposes to Sonia. All differences considered, the dispute basically divides the siblings between those who support keeping the focus on industry and those who endorse the change of focus to retail chain[10].

In 2009, René Murilo, industrial director was fired by his sister and president, Sonia Hess (the second oldest sister among five). This event started a series of other events, such as Anselmo and Vilson starting a campaign to promote Murilo to Dudalina's presidency on a board meeting in which 10 heirs voted for Sonia and 5 voted for Murilo (Sonia voted for herself, naturally). The fray had divided the family.

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 to a foreign investment group. This time, Sonia got 9 votes favorable to complete the operation, including her own. An extremely tight victory, since the total score was 9 votes to 7.

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 solely family owned business was sold to two private equity groups, in 2014. The *Advent Group* and *Warburg Pincus* acquired 72.27% of the Dudalina S/A's shares by approximately $ 400 million.

The *Advent Group* is one of the most influential private equity funds in North America and holds global operations of $ 32 billion in assets. *Warburg Pincus* (New York) was 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 trial in Brazilian Court questioning the legitimacy of the operation. They kept Sonia Hess in the presidency of Dudalina S/A. Sonia Hess declared: "I am Dudalina's president whereas I provide results. If someday I don't, I will have the humbleness to leave" (Aguiar, 2013, p.1).

[10] See Leal, Ana Luiza (2014). *Uma empresa, a Dudalina, e 16 irmãos em conflito*. Retrieved from http://exame.abril.com.br/revista-exame/edicoes/1065/noticias/os-dezesseis-filhos-de-adelina?page=1, accessed on 07.07.2014.

In spite of the new owners, Dudalina S/A continues as a family business once a member of the family holds the presidency, some are shareholders and others, members of the board (Bower, 2007).

As retaliation, the brothers Rene Murilo and Renato Mauricio, decided not to sell their shares to the new buyer.[11] Sonia kept 6.31% of the shares, against 21.42% of other shareholders, including her dissident brothers (Falcão and Resende, 2014).

Dudalina S/A is Resold to Grupo Restoque in Less than One Year

On September 2014, less than one year after the transaction being concluded with Warburg Pincus and Advent Group, Dudalina S/A was re-sold to another Brazilian Fashion Business Company: Grupo Restoque (owner of Brazilian brands Le Lis Blanc, Rosa Chá, John John and Bo.Bo).Grupo Restoque acquired 50% of Dudalina shares (the other 50% remained with Advent Group) by BRL 1.75 billion, on October 1st, 2014. The first selling operation involved $400 million (BRL 1 billion). Grupo Restoque acquired 50% of the shares, therefore, at least, Dudalina worths BRL 3.5 billion ($ 1.5 billion), almost three times the original selling paid by the two north American groups in 2013. Grupo 174.931.254 shares will be incorporated to Grupo Restoque from Dudalina S/A, operation approved by Brazilian Economic Administrative Defense Council, CADE (Conselho Administrativo de Defesa Econômica) on October 29th, 2014, published officially on (DOU – Diário Oficial da União), as follows:

> Nº 1.363 – Concentration act nº 08700.008336/2014-49. Applicants: Advent Varejo I - Fundo de Investimento em Participações, Advent Varejo II - Fundo de Investimento em Participações, WP XIB Fundo de Investimento em Participações e Restoque Comércio e Confecções de Roupas S.A.. Representative Lawyers: Barbara Rosenberg, José Carlos da Matta Berardo, José Inácio Ferraz de Almeida Prado Filho and others. I decide by approving without restrictions (DOU,2014:84, our translation)[12]

Grupo Restoque became the largest Brazilian Fashion Business Company in its sector.

The managing directors of Dudalina and Grupo Restoque, respectively Sonia Hess and Livinston Bauermeister will remain as CEOs of both companies, and the Restoque 's board of directors will increase from five to nine members, with four new names coming from Dudalina council. Therefore, Grupo Restoque controls Dudalina's operations. Combined, the two companies would have added net income of BRL 1.15 billion ($500 million) in 2013.

The New Owner, Grupo Restoque

Founded in 1982, Restoque Clothing Ltda.In 1988, Le Lis Blanc brand was created with the aim of developing a women's fashion business.

The first Le Lis Blanc store opened in 1988 in Shopping Iguatemi, in São Paulo. Between 1988 and 2005, the Company expanded its activities in retail through its own stores, launched the multi-channel and licensed stores opened in several cities. In the next three years, the Company added the lines of decorative products and children's clothing to its portfolio, diversifying its product line and strengthening the association of the brand with a style you want and sophisticated life.

In 2008, the Company held its initial public offering (IPO) on the BM & F Bovespa and used the proceeds mainly to expand its own store basis, repurchase licensed stores and begin the process of brand extensions. The Company had earlier this year, 11 stores, ending with 33 stores, an increase of 154.0% in revenues during this period.

[12] DIÁRIO OFICIAL DA UNIÃO – DOU (2014) Ministério da Justiça, CADE. Retrieved at http://www.jusbrasil.com.br/diarios/79176018/dou-secao-1-30-10-2014-pg-84. Accessed on 30.10.14.

Also in 2008, the Company acquired Bo.Bô - Bourgeois Bohemia for a nominal fee. With just a few products showroom and store at the time. The Company redesigned and repositioned the brand and expanded the product portfolio, so that today is your highest luxury brand.

In 2011, the Company acquired the John John, which marketed jeans through a small wholesale network. In 2012 the product line was expanded and the brand was launched in retail through its own stores. In 2014, Rosa Chá brand was re-launched in the market.

> With the merger of Dudalina, which became its wholly owned subsidiary, the Company added to its portfolio one of the most recognized brand in the market shirts in addition to the Individual and Base brands, and now holds also, based on the 30 information September 2014, 72 stores of the hallmarks of Dudalina, focusing on male and female audiences, and over 4400 multi-brand customers distributed in all regions of Brazil. Dudalina is a company founded in 1957 and focused on the production and sale of shirts. Throughout its history, Dudalina was consolidated with a notorious brand of high-end shirts and expanded its product line with complementary items (Restoque, 2014)[13].

Dudalina S/A Conflict Management Analysis

Family disputes resulted in family division and relationship disintegration, turning practically impossible to reach a satisfactory solution to all parties and give birth to hostile takeover acquisitions (Dias et al, 2014).

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. 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).

Dudalina's second selling operation overpassed almost three times the first operation, when roughly comparing acquisition numbers. Lawsuits expenditures, accusations exchanged among family members, internal political disputes for power, definitely weakened Duadalina's market position and considered better selling the company than try any sort of interest conciliation. The outcome was not difficult to anticipate: the company was sold by a lower price to the two North American Groups when compared to this new selling operation (Dias et al., 2014). Lawsuits are still ongoing at Santa Catarina State and are far from a definitive solution or even a final decision because they were not presented to the Brazilian Judiciary Appeal Courts, so far.

Discussion

In this paper we exposed Dudalina S/A's family administration, and the succession process. The difference of the first selling price to private funds Advent Group and Warburg Pincus and, only six months later, resold to Restoque by three times the first selling may represent something beyond a good bargain. Joseph L. Bower (2007), from Harvard Business School's researcher 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.

With 16 heirs, conflict, struggle for power was more than expected. Simply put, too many people to decide what to do and who would be in charge of Dudalina's future. The family was not prepared to deal

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[13] See also Grupo Restoque (2014). Histórico e perfil corporativo.
http://www.restoque.com.br/conteudo_pt.asp?idioma=0&conta=28&tipo=41514 Retrieved on 10.10.14.

with family members' conflict. They just did not have a clear succession and conflict management plans to avoid escalation. Therefore, the internal fight among family members weakened Dudalina's position and it was just a matter of time to appear investors, buyers, hostile takeovers, and so on and so forth.

Clearly, Advent and Warburg Pincus private equity funds envisioned an opportunity and did not waste time: acquired Dudalina for a very low price in comparison with the new selling transaction. Advent Group has kept 50% of the business.

Regarding to succession issues, Bower (2007) also highlights the concept of 'inside outsider', as the most suitable for the future CEO 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 he is not family. (Aguiar, 2013, p.1).

In sum, inside the company, outside the family. This research throws more light upon the value that is unseen when disputes blur reasoning, mostly when dealing with sensitive relations as in family businesses. Going beyond conflict to a negotiated solution in family succession is more an exception than a rule, as mentioned by Bower (2007). Therefore, a Conflict Resolution Plan is a helpful tool in sensitive situations like family succession either. In other words, a business succession plan must encompass a conflict resolution plan.

Conflict Resolution Plan

Disagreements and problems are common to any relationship once interests may collide. According to Nadler, Hackman e Lawler (1983, p.207) "conflict is more than desagreement; it's the deliberated interference over each part atempt to reach an objective". The authors highlight that conflict happens between people along time, and it's even more delicate when among relatives.

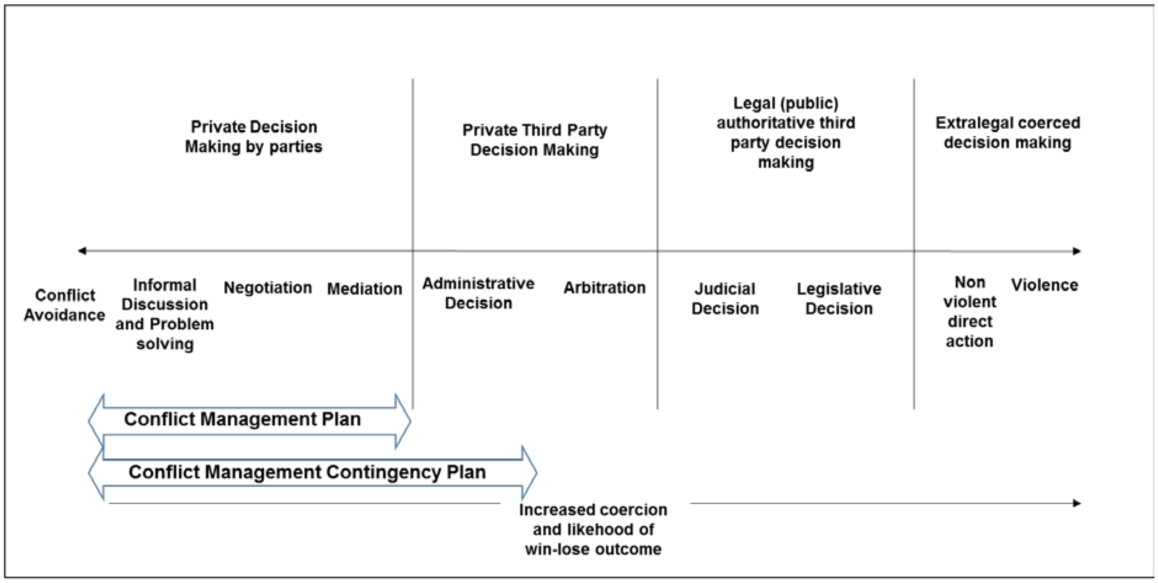
> It's important to remember that a conflict, in an organization, occurs inside the context of a working system and, therefore, in the context of an ongoing relationship among people or groups. Nadler, Hackman e Lawler (1983, p.208)

Problems can either be discussed – and solved – cooperatively within the family, or not. Sometimes any possible offer from a part could be perceived as for their own interest and, due to that, should be rejected. This phenomenon was described by Ross (1995) as "Reactive Devalutation" in Negotiation and Conflict Resolution. In the Reactive Devaluation, no matter how "fair" is the proposal, it will not be perceived as balanced due to the reputation of the proponent. Quoting Ross:

> (…) negotiations frequently fail and deadlocks persist even in conflicts where preservation of the status quo clearly seems to be against the best interest of the relevant parties. (Arrow et al, 1995, p.28)

The authors propose that 'the devaluation process could launch a downward spiral of misunderstanding and mistrust, whereby dismissal and lack of reciprocation by the recipient of a proposal discouraged further initiatives' (Op cit, p.34). This is the case of Dudalina. The escalation of the conflict reduced the perception of mutual gains and became a power game played among brothers and sisters in the Brazilian Courts.

When parties are dealing with sensitive issues and seem not able to solve problems, it's advisable to find a trustworthy third party, like a mediator, to help them to enlarge the perspective and find a better solution (Moore, 2003). Figure 6 depicts how a conflict management plan could avoid escalation:



Source: Moore, 2003, p.7.

Figure 6. Continum of Conflict Management and Resolution Approaches.

Considering the turnaround in the Case Dudalina and previous works on this case (Dias et al., 2014), twelve recommendations are presented:

1. *A horse race will always occur, the founders being aware or not.* So, founders should be prepared for the worst case scenario with contingency plans. The first step, therefore, is to recognize the mere existence of conflict among heirs after the founders' passing away.
2. *Internal conflicts among family members from family businesses are perceived as sign of weakness by competitors and non-competitors.* Competitors are always looking for opportunities to strengthen their businesses and weaken their competitors, which is a fact. Non-competitors perceive the same issue differently: they see an opportunity to buy a weakened company by a very attractive price and then re-sell the whole company or parts of the company (as in Dudalina case). In both cases, the family business is vulnerable to a hostile takeover or even a tough acquisition.
3. *Prepare a succession plan with due anticipation*. *Recognizing the existence of possible conflicts is not enough.* If one does not plan with due anticipation, it is much harder to avoid conflict escalation. Considering that the family interaction along time and possible parent preferences towards a son/daughter over another, may create history of bitter feelings, it is very important that 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).
4. *A conflict resolution plan must be part of the succession plan.* 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. In a family dispute, the reputation and competence of the Mediator is crucial to overcome the Reactive Devaluation mentioned above. 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?

5. *Keep transparency*. This is valid for the entire process within the family and was discussed on Dias' et al (2014) research. The twin brothers Rene Murilo and Renato Mauricio, for instance, claimed in court for transparency in the Dudalina's sales process and had the claim accepted by the judge in charge of the case (See Santa Catarina, 2014).
6. *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 premature choices (sometimes). The more potential successors are in the process, the more interests there are. Focus on positions facilitates side taking, which in turn creates division.
7. *Be focused on the future not on 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. Dealing with families, this may be a major hindrance once the disputes transcend the limits of the business and bring unsolved issues from the family relations.
8. *Adopt clear and fair criteria to select the successor.* In a family succession it's difficult to be strictly by the book. The older son will, naturally, understand his right by birth, as something natural, however the other heirs may question this criteria (or lack of criteria). 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.
9. *Build consensus among the board of administration about the successor to avoid conflicts after the new CEO takes charge of the position.* 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.
10. *Separate family property from leadership*. According to Bower (2007: 230), this is the first step to a success in family business, but, as aforesaid, this step may be the most difficult once the dispute among heirs may remount childhood. In Dudalina's case, there are two groups claiming their respective positions. After such a long public dispute, how could they get a clear idea of the family's best interest and the company's best interest?
11. *The founders should inspire family members to set aside individual interests and foster Family Business common interest*. 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. Dudalina's case clearly shows how prevention could be much cheaper and softer than litigation.
12. *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. They should be perceived as a signo f weakness, as discussed on item 3.

Finally, given the dynamics of the process involving the acquisition and re-acquistion of Dudalina S/A, and the remaining lawsuits still ongoing in the Brazilian Judiciary against the selling operation conclusion, even sanctioned by Brazilian Economic Agency (CADE), it is recommended for future researchers revisiting the case for gathering new data about the Dudalina S/A case.

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