

## FAMILY BUSINESS LIFECYCLE: THE APPLICATION OF 3D LIFE CYCLE MODEL AND 7 SS FRAMEWORK

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### Abstract

Three subsystems sustain the lifecycle of family business (FB); family, ownership and business. This article's purpose is to show how the 7 Ss Framework can be used to identify different aspects of FB behavior during its lifecycle, together with the three-dimensional lifecycle model as a tool to identify changes that influence both growth and the process of building a "well-performing" organization. The proposed model was tested in a family business in Brazil (RBS Group). The conclusions lead to a clear comprehension of family business evolution, as well as of the organizational foundations that sustain the creation of a well-performing organization.

**Keywords:** Family Business, 3D Family Business Model, 7 Ss Framework, Organizational Lifecycle, Strategy

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### 1. Introduction

Family business evolution may be understood based on the external influence, internal changes, and in how maturity factors influence company's internal pressures (Gersick et al, 1997). Nevertheless, sources and origins of the changes notwithstanding, social structure and work settings may put up with settlement (Hall, 2004).

The lifecycle in family business may be understood as based on three aspects: family evolution, ownership structure, and business. The family business usually starts with an entrepreneur, and according to its development, will be controlled by other members of family (spouse, descendents, son-in-law, daughter-in-law, grandchild), with changes in ownership structure as well (from a controlling owner to a partnership sibling, and after to a cousin consortium) (Gersick et al, 1997). This family evolution may imply that founder's values do not proceed, or the values change and will not

intermediate the relations during business evolution. Consequently, the organization is less protected from family relation problems (Gersick et al, 1997). Another circumstance is related with unexpected events that may lead to an acceleration of succession movements, without any previous preparation of the family, ownership and company's management for the succession (Gallo and Lacueva, 1983).

Observing the three mentioned aspects of family business, the first dimension is related to structural and interpersonal development of the family. Gersick et al. (1997) suggests it 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 (1987) suggests that different family ownership structure may result in different aspects of the company. The ownership structure stages are characterized from a Controlling Owner to a Sibling Partnership, and after to a Cousin Consortium. Considering the business itself, family

business complexity is understood based on development stages, known as Beginning (building up and surviving), Expansion, and Maturity (renovation or breakup). The changes from one of this business stages to another may be gradual or powerful, and may be influenced by ownership control and succession process.

Considering that the lifecycle of family business may be observed from the standpoint of its three subsystems, it may be suggested that the family business professionalizing process follows this perspective. The present case study objective is to analyze one family business evolution (RBS Group) and its professionalizing process (or the process of making a "well-performing" enterprise). It is focused in the identification of the critical moments in company's history and in settling the different lifecycle phases, observing changes that took place inside the three subsystems and how each subsystem influences or interferes in the professionalizing process.

So, the Three-Dimensional Model of Family Business Evolution may be used as an approach to evaluate family business during its lifecycle, considering different behaviors patterns of family, ownership and business. Another tool for organizational analysis is the 7Ss Framework, developed by McKinsey and Peters and Waterman (1982). This framework connects the elements considering organizational hard and soft issues.

The relationship between both tools is based on the proposition that each phase of business evolution of the Three-Dimensional Model is characterized by changes at 7 Ss Framework, as well. It means that linking the phases of organizational evolution and characteristics of the aspects related to 7Ss Framework must provide specific analysis of the different phases, in order to understand how each one may influence the process of creating a "well-performing" organization.

## **2. Three-Dimensional Model of Family Business Development**

Over the years, several studies have argued about the need of separation between ownership and control (for example, the presentation of Berle and Means (1932) conceptual framework and Davis and Tagiuri (1980) framework of analysis of the ownership and control subsystems). The "time" variable was added to the framework later as Davis et al (1996) presented the three-circle model (family, ownership and business) - the three-dimensional model of family business development. This model allows the observation of family business lifecycle.

The development of family business is a special topic in the field of organizational change (Gersick et al, 1997). 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. The second perspective considers that complex and internal maturity factors are the driving forces of change. These patterns show the organizational lifecycle (Gersick et al, 1997).

Family business may be described as any company where the founders or descendants continue to keep executive position in the high level of the organization, in the board or among its greater shareholders, or if 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 presents family business as "a thought that came true". The direct family control exists when the main executive is a family member in charge of running the organization. Indirect control exists when the main executive doesn't belong to the family. Managerial company' control usually exists when family executives dominate the board of administration (Allen and Panian, 1982).

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 by which each of these is formulated, designed and implemented. According to Lansberg (1983), studies about family business are important because the family component shapes the business in a way that the family members of executives in non-family firms do not and cannot.

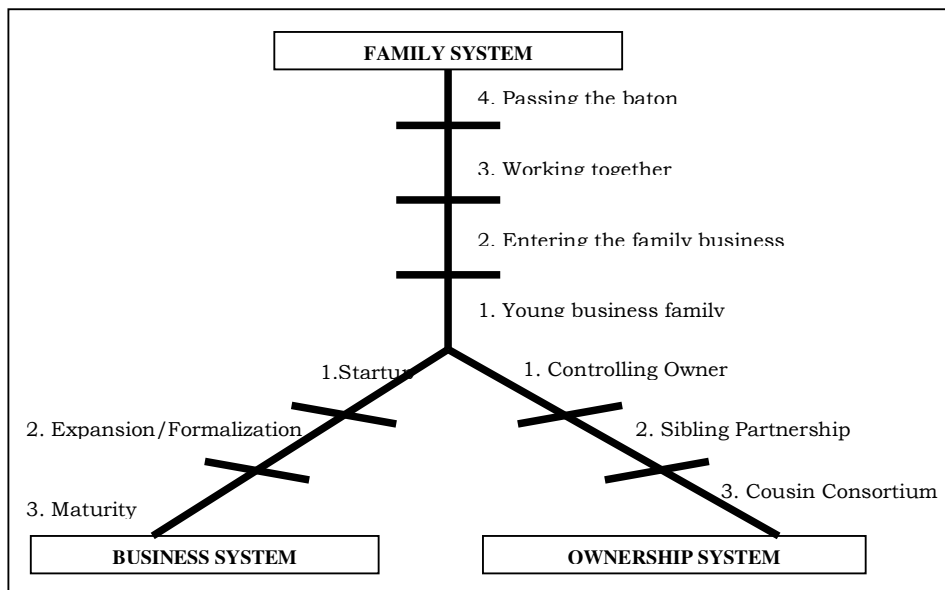
Change and growth are essentials to family business success and continuity (Gersick et al, 2003). In family companies environment, maturity brings the challenge of adaptation and renewal, or, in other way, the company may decline or disappear (Davis, 2003). Pressures for development that follows families and its companies are always acting, creating the need of change. Evolution may signify the need of professionalizing. According to Lodi (1998), professionalizing family business is the process in which the familiar or traditional organization assumes scientific, rational, up-to-date end less personal management procedures. It is the substitution of intuitive methods by non-personal and rational methods.

To Bernhoeft (1987), to professionalize a family corporation does not mean to taking out familiar control and bringing an outsider executive into action. According to Lodi (1998), capable family members may remain as professional managers. Turning to be professionally managed, the family company starts to work in a different way, usually replacing some executives, changing support systems and implementing new policies and procedures. Professionalizing a family may impact organizational culture, since it means new employees, new technologies, new planning systems, controls, and managerial effectiveness.

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 and Culbert, 1978; Lyden, 1975; and 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 and Cameron, 1983). However, the family business lifecycle may 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 and 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 (Gersick et al, 1997).

In family business corporations, each individual can belong to one, two or three groups: family, business and ownership, and relationships inside each one have implications in others. The search for familiar organization understanding through its lifecycle, must be supported by the understanding of the family and ownership' behavior. Gersick et al (1997) presented the Three-Dimension Model of Family Business Development (Figure 1) used as a reference to analyze familiar organization as it considers the relations among its three subsystems.



**Figure 1.** Three-Dimension Model of Family Business Development

Source: adapted from Gersick et al (1997)

Ward (1987) points out that, different forms of ownership result in company's different aspects. Gersick et al (1997) 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 the sources for family business centrality are launched: culture, strategy and values (Gersick et al, 1997). 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 to protect company's interests. In this case a professional Corporate Board must be developed. According to Gersick et al (1997), the fundamental question is to keep 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 Gersick et al (1997), 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 (Gersick et al, 1997). 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 Gersick et al. (1997), 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 Gersick et al (1997), 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 (Gersick et al, 1997).

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

### **3. The 7 Ss Framework**

Evolution is present in any organization, and it is not different in family business. The evolution may be translated in different behaviors during lifecycle. Family business lifecycle may be understood considering its three systems, as mentioned in the three-dimensional model of family business development. But one doubt remains, how to evaluate different behaviors during business lifecycle? That is the proposition of application of 7 Ss framework in family business development.

Peters and Waterman (1982) introduced in the best-selling “In Search of Excellence”, the concept of 7 Ss framework, consisting of organizational hardware and software. The hardware issues must be understood as common elements when the topic is change: strategy, structure and systems. The software issues are characterized by elements not easily identified: skills, management style, staff and shared values, initially named superordinate goals. They are determined by people inside the organization, not easily influenced and observed starting from ideas in which the business was built. Besides they are under surface, may influence organization is a significant way (Peters and Waterman, 1982).

Strategy is the action taken by a company, in order to response or to anticipate environmental changes, focused on competitive advantage. According to Whittington (2002) proposal strategy may be characterized as: classic, evolutionary, processual and systemic. Structure is based on task specialization and division, authority and coordination – is the coordination of organizational parts (Hall, 2004). Systems are formal and informal procedures used to manage the organization that provide support to strategy and structure (Charan, Hofer and Mahon, 1980). May include management control systems, performance measurement and reward systems, planning, budgeting and resource allocation, besides management information systems.

Superordinate goals are common values inside organization, observed from fundamental ideas (Peters, Waterman e Phillips, 1980), meaning for members, and what exists beyond family business logic (Gallo, Tàpies and Cappuyns, 2004), or else, values widely shared considered guiding concepts or principles. Knowing of management style provides the understanding of patterns in managers’ behavior (Peters, Waterman and Phillips, 1980). Staff analysis specifically of top management considers human resources and the way basic values are molded (Peters, Waterman and Phillips, 1980), as well as the influence of the CEO in each period (Wiersema, 1992). Skills are distinctive competencies of the organization and how company expands its capacities (Peters, Waterman and Phillips, 1980).

Thus, two elements are related: the need to understand family business lifecycle, supported by family and ownership evolution; and the existence of a tool that may establish patterns of analysis among differences along this lifecycle.

Observing the current literature about family business, different studies were pointed relations between strategy, structure and/or culture. Gallo and Lacueva (1983), investigating strategy and structure relations, sustained that a family business that passed various critical moments and succession movements, adapted strategy and structure in a cycle of events. This cycle of events 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 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 important executives and the change of legal power structure.

Rowlinson and Hassard (1993) studied the relations involving strategy, structure and culture in family business, and argued 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.

An empirical study focusing the relationship between top management and strategy was led by Wiersema and Bantel (1992). According to them, team demographic composition was a key factor to change readiness, risk-taken capacity, creativity and innovation on decision-making. One of the first suggestions about top management influence at strategy was based in Andrews (1994) studies. Govindarajan (1989) suggested that strategy was aligned with management orientation. And Nordqvist (2005) showed 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. The 7 Ss framework was created to measure organizational effectiveness. However, this proposition is not about effectiveness. The proposition is to use it as a tool to compare the organization in its different lifecycle stages, in order to reach a fully observation of it functioning, when evolution must be considered from a multiplicity of factors. In this way, the 7 Ss framework shows a diagram of interconnected elements, all of them important, with no clear hierarchy among them, and, each one must be the starting point to change in each phase (Peters, Waterman and Phillips, 1980). The 7 Ss framework became a tool that provides a detailed checking list to evaluate company in lifecycle stages.

#### 4. Methodological Procedures

The research unity comprehends family companies sector. The research subject was intentional, based on

a family media company – RBS Group. The choice was based on the access allowed by the company and its importance in Brazilian media sector. The first step was to define the theoretical framework in order to explain organizational lifecycles of family companies. Based on this theoretical framework, the study aimed to find critical moments of company's history. The focus was on match the critical moments with each of the three subsystems in order to verify where and when changes occurred. Finally, establishing a sequence of facts, to find how the whole process influenced company's professionalization.

This research is based on a qualitative approach and non-experimental or *ex post facto*. The process is based on a singular case (Yin, 1994), as it is a deep analysis at a unique organization. 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 (Babbi, 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.

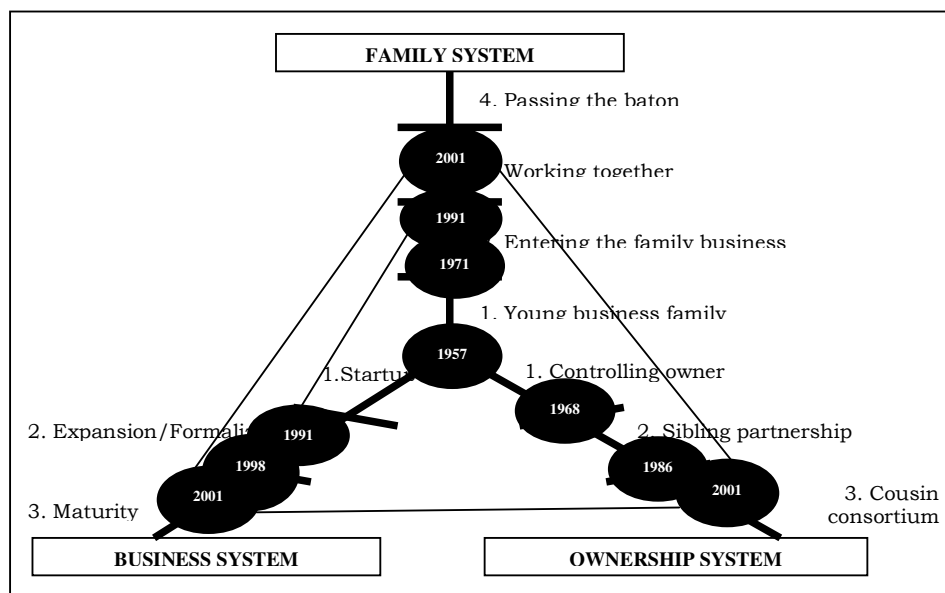
## 5. Data Presentation and Analysis

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. JAMA 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, as follows.

During the phases of business' lifecycle, the different organizational behaviors could be observed using the 7 Ss Framework as below. The elements are presented in framework circles, colored white when the elements are the same since the company startup, colored black when the elements change from one phase to another, and colored gray when the elements does not change from a phase to another. The changes through lifecycle are presented in Figure 2.



**Figure 2.** Critical Moments at RBS Lifecycle

*Source:* developed by authors, based on research results.

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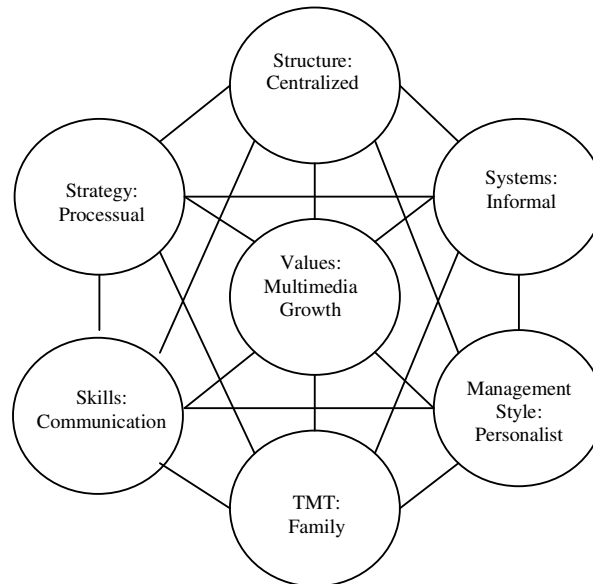
**01) From 1957 to 1968** - The “fundamental stone”, characterized by the purchase of Gaúcha radio station, points the first period at RBS history. At the end of this period, the two brothers, Maurício and Jayme, become partners, and it is the first movement of the family business configuration. This phase has as foremost characteristic the passage from Controlling Owner to Sibling Partnership inside the same generation. In the first period, from 1957 to 1968 is difficult to identify the existence of the

elements due to the facet that at this time exist the “one man shows” and the informal organization.

**02) 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. In the second

period of RBS' history (1968 to 1971) the following elements of 7Ss framework are represented in Figure 3:

- Values (guiding concepts) – founders initiate the search for a multimedia concept that will prevail during company's evolution, as long as risk-taking behavior and search for growth;
- Management style – the founder remains as charismatic and personalist leader;
- Top management – basically two brother taking care of content, administrative, financial and commercial functions;
- Skills and competences – “communication” is the core competence, emphasizing content professionals;
- Strategy – intuitive, with procedural characteristics;
- Structure – Centralized, where Maurício Sirotsky takes the key decisions;
- Systems and processes – completely informal.



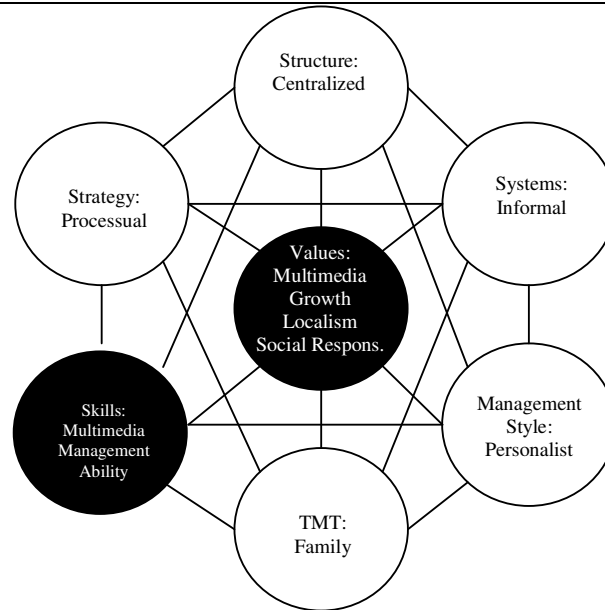
**Figure 3.** 7Ss Framework During Period 2 (1968 – 1971)

Source: developed by authors based on research

**03) From 1971 to 1986** - The second generation entering occurs during a survival crisis. 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. The company starts its growing process, sons and sons-in-law are attracted, and this characterized the family subsystem “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. Family members early started to consult specialists. This is confirmed by the professional advice of João Bosco Lodi, hired in early 1971, to prepare Nelson Sirotsky for 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. 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. At the third period (1971 to 1986), meaningful changes takes place, and the elements are described above and represented with Figure 4.

- Values (guiding concepts) –multimedia concept remains and company establish a risk-taking behavior, launching bases at one of its core values: localism. Founders starts the process of create a well-performing family business, and the first steps to social responsibility are taken;
- Management style – strong and charismatic leadership, with paternalist and personalist relations;
- Top management – family at the base of the management. Three circles into one;
- Skills and competences – multimedia is the core competence, approaching management ability;
- Strategy – intuitive, with procedural characteristics;
- Structure – Centralized, where Maurício Sirotsky takes the key decisions;
- Systems and processes – completely informal.



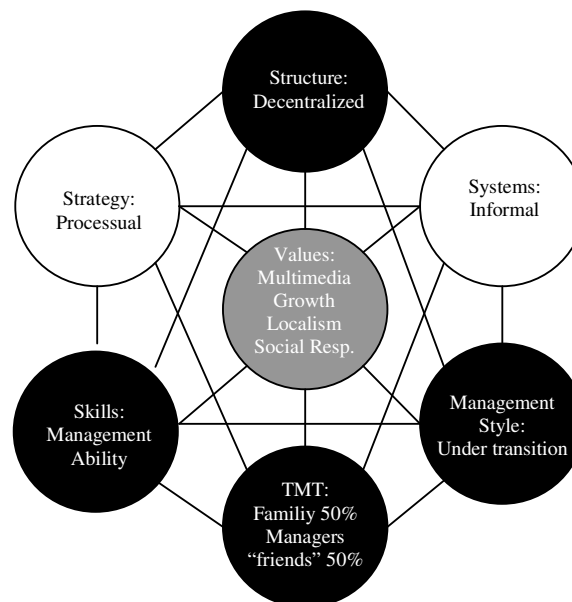
**Figure 4.** 7Ss Framework During Period 3 (1971 – 1986)

Source: developed by authors based on research

**04) 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. 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. At this time, there was emotion along the process. Maurício and Jayme were embarrassed of discussing ownership shares. In that occasion, Ione Sirotsky 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. It was a sign of

what founders wondered as a professional family business. It could 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 its way to professionalization. The partners' behavior in this occasion denotes the search for preserving the business above the family.

The fourth period (1986 to 1991) is motivated by involuntary leadership succession caused by first founder death, Maurício Sirotsky Sobrinho. The elements are listed right after the Figure 5.



**Figure 5.** 7Ss Framework During Period 4 (1986 – 1991)

Source: developed by authors based on research.

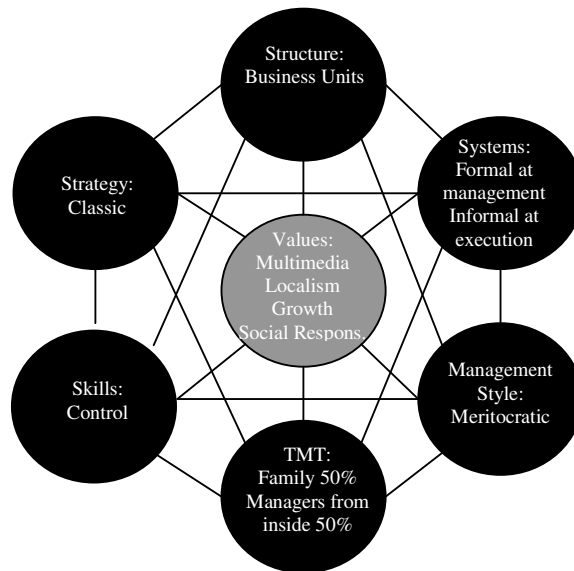


- Values (guiding concepts) –multimedia concept remains, as search for growth and localism social responsibility;
- Management style – first attempt to break up the personalist style. Transition. Evidences that “who” and “what” overlap the “how”;
- Top management – family is 50% and the executive team was composed by friends that “started together” and at this time were leading the business. Sense of intimacy, autonomy, power and lack of formality;
- Skills and competences – management and control ability;
- Strategy – intuitive, with procedural characteristics – “let’s take options and see what happens”;
- Structure – Decentralized;
- Systems and processes – informal.

**05) 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 starts 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’ successions, rules about new family members entering 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.

Fifth period (1991 to 1998) is marked by societal restructuring, Board of Directors is conceived and three holdings are established to control company’s stock (IMA, JAMA and FEC). The framework is showed with Figure 6 and elements description as follows.



**Figure 6.** 7Ss Framework During Period (1991 – 1998)

Source: developed by authors based on research.

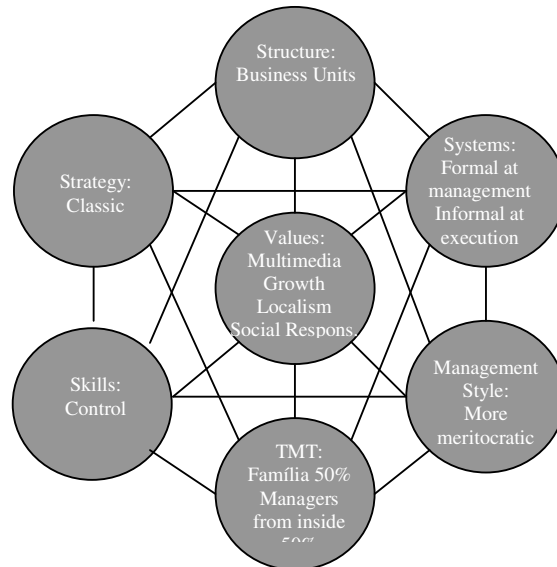
- Values (guiding concepts) –multimedia concept, social responsibility and localism remains, but growth is the key element that guide actions;
- Management style – delegation and limited budget decisions are established. There is no space at all for “slap on the back”;
- Top management – 10 executives, with 50% from family. However, non-family executives begins to take place, as professional developed “inside the corridors”. Friends are leaving and executive development is planned;
- Skills and competences – management control;
- Strategy – classic, with strong cycle of consultant companies;
- Structure – Business units;

- Systems and processes – more complexes, but still not formal. Execution systems are even less formal than management systems, showing a bias for control.

**06) From 1998 to 2001** - The sixth period at RBS’ history begins with the 98’ crisis. After the frustrated attempt in investing in telecommunications business, there is a strategic change. Some businesses were sold (ZAZ, NET) and the company’ core business was refocused, 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. The RBS Interactive episode points the moment of focus loss. This episode drained financial and human resources, and caused a slow

down movement at the company's core business. At family and ownership subsystems, this period accelerate the professionalization. Elements from this period are showed with Figure 6 and described above.



**Figure 7.** 7Ss Framework During Period 6 (1998 – 2001)

Source: developed by authors based on research.

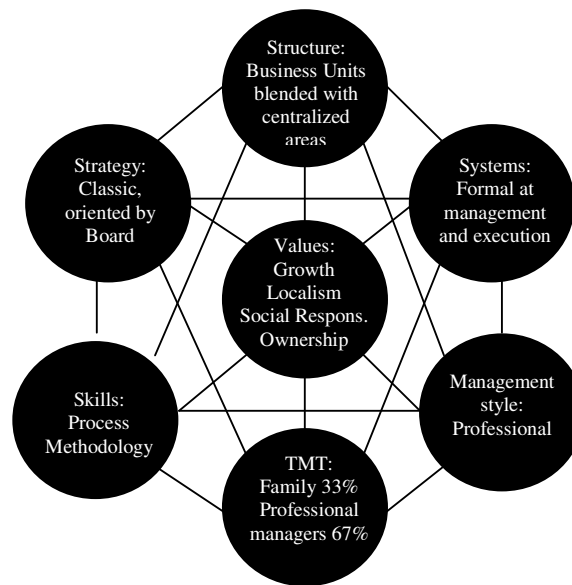
- Values (guiding concepts) – moderate growth, but values do not change;
- Management style – delegation and limited budget decisions are established;
- Top management – almost the same concept, excepting Pay TV area;
- Skills and competences – management control;
- Strategy – classic;
- Structure – Business units;
- Systems and processes – even complexes, systems remain not formal. Execution systems still are less formal than management systems.

**07) 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. From 2002, RBS was configured as a cousin consortium. 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. 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.

Seventh period still remains. Starts with a family business consultant (John Davis) and the nowadays structure is established. Elements are listed above and showed with Figure 7.

- Values (guiding concepts) – values are reinforced, growth is back as a priority, social responsibility still remains and the sense of ownership is reinforced, as well.
- Management style – professional and formalized;
- Top management – 33% of family, with 6 members;
- Skills and competences – method and process;
- Strategy – classic, with consultant firms support, the Board of Directors defines strategic plan and Executive Management is responsible for execution;
- Structure – centralized areas (management and finance) are blended with decentralized ones (content and commercial at business units);
- Systems and processes – totally formal. New methodologies are developed to improve management control and execution.



**Figure 8.** 7Ss Framework During Period 7

Source: developed by authors based on research.

Table 1 summarizes the previous analysis considering the integration of both tools. The first two periods (57 – 68 and 68 – 71) show the change of ownership structure from Controlling Owner to Sibling Partnership. This evolution was expected as the Management Style was personal, an usual characteristic of the entrepreneurs. The Skills and Values that were passed to the Sibling Partnership stage were strongly related to the personal characteristics and vision of the entrepreneur. The Young Business Family is related to the Staff evolution of the growing company (recruiting relatives, family partnership, and marital conditions of the partners).

The change during the Start-up stage was gradual as the Strategy, Structure and Systems actions were evolutionary and necessary during company growth. Up to the fourth evolutionary period (86 – 91) the business systems were considered as Start-up, mainly due to the still informal Systems.

The third and fourth periods still shows a Sibling Partnership ownership structure characterized by the personal or transitional management style evolution and skills.

The family system changed to the Entering the Family Business stage with the gradual entrance of the second family generation in the business. Despite that and the influence by the growth and consequently need of management skills, the heritor were technically prepared and well trained. The Staff, considering TMT, was quite tied to the family.

The Simbling Partnership continues up to the sixth period (98 – 01) with a continuous search for qualified managers as shown by the change to meritocratic management style. Despite the strong presence of the family the management structure was recognizing the internal and external skilled professionals. This reflects on the Expansion and

Formalization stage in the business system due to the changing in Structure and Systems.

In the fifth and sixth period (91 – 98 and 98 – 01), the professional family relationship become complex, with adult married cousins working and even controlling areas of the company. This conducted to the need of professionalization and the change to the seventh period (01 – 05).

The Passing the Baton stage is coincident to the Cousin Consortium. Both come from the need of professionalization and are confirmed by the reduction of the family in the TMT Staff and changing in Values and Management Style.

The changing on the evolution of RBS family business drastically influenced by the premature death of the founder, become planned and gradually conducted after that.

## 6. Final Comments

Family Business has its own dynamics and its lifecycle may be understood through three dimensional model: family, ownership and business. Family business evolution may show, as well, that each phase or stage represent different behavior inside the organization. However, through the combination of two frameworks (three-dimensional model and 7Ss), each aspect of family business evolution must be identified.

As showed with empiric case, it may be observed along RBS history, that the founder' values and its basic assumptions about nature and world and how to be successful on it, remain, with few modifications in its elements, alongside the first and second successions. The founder' daring mind remained along two familiar successions and the new professional management seems to bring a cultural change. The daring mind could be changed by

financial balance, but still open to opportunities. And maybe this proves of a change that preserves some principles. In this case, the principle of growth was maintained.

Specific changes are noticed “inside corridors”, as mentioned with situations as leadership and executive team changed. Values must explain the will of creating a well-performing organization. However, the research shows, as well, that the process got improvements when faced to new formal systems and methodology that reinforced values and structure. Thus, the use of 7Ss suggests how family business must align its elements in order to be prepared to different phases at its evolution.

In this way, this research confirms that the use or combination of different frameworks must improve the knowledge about family business, and provide provides an important tool to identify changes that must influence growth and the process of making a “well-performing” organization. With the 7 Ss connected to three-dimensional model, a clear comprehension of family business evolution must be provided, as well as each element during lifecycle must contribute to the creation of a well-performing organization. For the future, the combination of the elements is suggested in order to improve the approach for family business analysis.

**Table 1.** Family Business Historical Evolution

Period	57 – 68	68 – 71	71 – 86	86 – 91	91 – 98	98 - 01	01 – 05
Three-Dimension Model of Family Business Development							
Family System	Young Business Family	Young Business Family	Entering the Family Business	Entering the Family Business	Working Together	Working Together	Passing the Baton
Business System	Start up	Start up	Start up	Start up	Expansion /Formalization	Expansion /Formalization	Maturity
Ownership System	Controlling owner	Simbling partnership	Simbling partnership	Simbling partnership	Simbling partnership	Simbling partnership	Cousin Consorcium
7 Ss Framework							
Strategy	Informal	Processual	Processual	Classic	Classic	Classic	Classic oriented by the board
Structure	Centralized	Centralized	Centralized	Descentralized	Business Units	Business Units	Business Units and Centralized Areas
Systems	Informal	Informal	Informal	Informal	Formal at management. Informal at execution.	Formal at management. Informal at execution.	Formal at management and execution
Skills	-	Communication	Multimedia Management ability	Management ability	Control	Control	Process methodology
Management Style	Personalist	Personalist	Personalist	In transition	Meritocracy	Meritocracy	Professional
Staff	-	Family	Family	Family and managers (friends)	Family and promoted managers	Family and promoted managers	Less family and mainly professional managers
Shared Values	-	Multimedia Growth	Multimedia Growth Localism Social Responsibility	Multimedia Growth Localism Social Responsibility	Multimedia Growth Localism Social Responsibility	Multimedia Growth Localism Social Responsibility	Growth Localism Social Responsibility Ownership

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