Applied Project Submission Form

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How to prevail over challenges and pursue the opportunities that arise when a family-run business scale and the new generation is taking over?

A case study on a family-run business in Brazil.

Compiled by:

Gabriela Santos Xavier

This project is submitted in part fulfilment of the Degree of Bachelor of Arts (Hons) in International Business.

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Abstract

The aim of this research is to outline challenges that are linked to change management in a family-run business, generation succession, staff motivation and retention, more importantly to provide viable and effective solutions for those issues.

To develop this project, Secondary and Primary Research were conducted, and application of a mixed method to collect quantitative and qualitative information through surveys and interviews, respectively. The analysis approach of data from Primary Research was fundamentally under interpretivist epistemology for interviews and elements of deductive approach for surveys. The findings from the Primary Research and Literature Review were cross compared using the triangulation strategy, to answer sub research questions and finally the main research question.

For a Family-run business prevail over the challenges that arise from generation succession and change management, a well-structured transitional plan is essential. Job positions should be designated based on merit, qualifications and true interest in ensuring business continuity. Hierarchy must be respected and both generations should embrace each other's different approaches to change management, investment and innovation.

Personal conflicts must be kept outside the business environment, since employees are quick to notice issues, leading to low morale, motivation, performance and respect towards owners. Every change must be clearly communicated outlining the impact on roles' expectations, and overall benefits for the company and members.

Key Words: Change Management, Generation Succession, Family-Run Business, Staff Motivation and Staff Retention.

Table of Contents

Acknowledgment 4

Abstract 5

CHAPTER 1 8

Introduction 8

1.1 Introduction: Background 8

1.2 Research Purpose 8

1.3 Sub-Research Questions and Objectives 9

1.4 Information Gathering & Data Collection 9

1.5 Chapters Overview 10

CHAPTER 2 11

Literature Review 11

2.1 Introduction 11

2.2 Change Management 11

2.3 Family-Run Business 13

2.4 Employee Motivation and Change Management 14

2.5 Next Generation Take Over 15

2.6 Employee Retention 17

CHAPTER 3 20

Methodology 20

3.1 Introduction 20

3.1 Theoretical Paradigm 20

3.2 Research Method 20

3.2 Research Sampling 21

3.2.1 Samples description and its relevance 21

3.3 Data Analysis 22

3.4 Ethical Section 22

CHAPTER 4 23

Findings and Discussions 23

4.1 Introduction 23

4.2 Theme 1: Change Management 23

4.3 Theme 2: Family-Run Business 25

4.4 Theme 3: Employee Motivation and Change Acceptance 26

4.5 Theme 4: Next Generation Take Over 28

4.6 Theme 5: Employee Retention 30

4.7 Conclusion 32

CHAPTER 5 33
Conclusion and Recommendations 33
5.1 Introduction 33
5.2 Limitations 33
5.3 Conclusion 33
5.4 Recommendations 34
Appendix 1: Application For Ethical Approval 36
Appendix 2: Informed Consent Form 39
Appendix 3: Questionnaire: Employees During the Process of Change Management 41
Apendix 4: Questionnaire for all employees 44
Appendix 5: Survey Results 46
Appendix 6: Literature Review Table 53
Appendix 7: Methodology Table 59
Appendix 8: Interview Transcript – Owner A 61
Appendix 9 - Thematic Coding Table 70
Appendix 10 – Interview Questions – OWNER A 71
Appendix 11 – Interview Questions – OWNER B 72
References 73

CHAPTER 1

Introduction

1.1 Introduction: Background

Great companies around the world started as a family-run businesses and turned into major corporations. Regardless of the size of the company, a family business carries traditions, family values, a legacy.

This project is a case study of my family's business located in Brazil that has been on the market for the past 3 generations and the issues faced by family members and employees during change management and generation succession.

This topic is inextricably linked with my pathway, not only because of my previous work experience in a family-run company, but also with my current field of study, International Business.

1.2 Research Purpose

The purpose of this research is to outline challenges that are linked to change management in a family-run business, responsibility attribution between generations, staff adaptation to new organizational structure and more importantly to provide viable and effective solutions for those issues.

As a result, managers will have data and tools to make strategic decisions to ensure that the business sustainably grows. Better understanding on how to interact as family members and managers, provide tools to create a balance between family and work, creating the perfect synergy to guarantee a successful business.

The consequence of the implementation of these findings in a business will not only benefit owners, managers, employees and customers, but also preserve the family relationship.

How to prevail over challenges and pursue the opportunities that arise when a family-run business scales and the new generation is taking over?

1.3 Sub-Research Questions and Objectives

Based on information gathered through secondary research around the main research question, a set of complementary questions were developed to provide a deeper understanding of the subject.

Theme 1: Change Management

- How to implement new management?

Objective: To identify strategies to implement new management

Theme2: Family-Run Business

- How can family participation impact the process of change management?

Objective: To identify the challenges during change in a family-run business and how that can jeopardize a successful outcome.

Theme 3: Employee Motivation and Change Acceptance

- How to keep employees motivated during changes?

Objective: To find ways to ensure that valuable employees adapt to change to continue at the company and collaborate on its success.

Theme 4: Next Generation Take Over

- How can the process of a new generation taking over the company impact on the past generation management style and personal relationship?

Objective: To pinpoint the consequences of family interaction on the company and how it can affect the overall outcome of the business.

Theme 5: **Employee Retention**

- How can employee's retention affect the success of a company?

Objective: Understand how staff turnover can influence the overall success of a business and how to overcome it.

1.4 Information Gathering & Data Collection

Secondary research was used to gather existing information for background and context on the research question, comparing data and checking for study relevance.

Primary Research was designed based on the findings of the secondary research. The method used to gather information from the samples was a mix of Qualitative (research instrument: interview with owners) and Quantitative (research instrument: survey for staff) to ensure coverage from two different perspectives, leading to a better understanding of the dynamic between managers and employees.

Interview with owners/managers: Guide questions will be pre-determined to get information about key points.

Survey with employees: The questionnaire was anonymous, formed by open-ended and closed questions, giving the employees more confidence to answer honestly.

1.5 Chapters Overview

This section is to provide a chapter-by-chapter overview of the entire study.

Chapter 1 - Introduction: Introduction of the study, background on the choice of topic and goes through research purpose, objectives, data collection strategy and approach.

Chapter 2 - Literature Review: Secondary research to gather already existing information to build a solid foundation for the study development.

Chapter 3 – Methodology: Explains methods and approaches for data collection and interpretation.

Chapter 4 – Findings & Discussion: present findings from primary and secondary research and discuss the result and its impact on the study conclusions.

Chapter 5 – Conclusion: Finalize the study by providing information about limitations, recommendations and conclusion.

CHAPTER 2

Literature Review

2.1 Introduction

This chapter presents findings based on theoretical research for the literature review analysis. The aim is to collect data and information from different authors to generate a discussion about possible questions that are posed as the foundation for secondary research.

Main findings are related to how family-run business can navigate the challenges arising from generation succession, how to communicate change within the organization discussed by Kislik, L. ,(2018), what employees consider as vital for motivation and retention presented by Leininger, J. (2004), and how to decide whether management should continue in the family or not, as discussed by Stalk, G. and Foley, H. (2012).

Interpretation and critical analysis for each theme's literature review is given to provide a deeper understanding of the theories cited by the authors and their relevance for the project development and structure. A literature review table is given for deeper analysis. (*See Appendix 6, pg:52)*

2.2 Change Management

Leaders must be careful when delivering news to employees, especially the ones related to organizational change, because it may cause misunderstanding, confusion and stress for not knowing how it will affect them.

Change management focus on people during transitions and transformations within a company. A structured process that guides teams to adapt and implement new processes, technologies and operations.

According to Kslik (2018), if leaders follow critical steps and prepare themselves, communication will be effective and negative reactions minimized. Those steps include an explanation of the reason for changing, and how it will benefit them, the organization and customers. Be clear of how it will impact on them individually and provide support to help them

adjust. Also foster the sense of respect by allowing employees to be part of some decisions.

Kirecheva (2022) states that nowadays, the business environment is rapidly changing, and to survive organizations must quickly adapt. Change management has become a vital function to support the ability to tailor your company structure aiming to maximize internal potential. The management team plays a key role in navigating both predictable and unpredictable changes, applying strategies to ensure organizational resilience and survival. 'The reaction time to the changing environment is getting shorter and managers need to have more and more competences.' (Kirecheva, 2022, p:79).

Kuzmanova (2008) as cited in Kirecheva (2022), describes 5 elements of the organizational change management system, including strategy development, change motivation, resources and competencies, resistance to change mitigation, flexibility and sustainability and result measurements.

Understanding the need for change allows managers to plan and communicate strategies considering potential barriers. Even though we cannot predict all possible issues, it's important to create strategies to address them. Adhering to decision making standard processes, the company can improve its adaptability, reduce response time to threats and achieve sustainable competitive advantage.

The key to a thriving change in the organization is to identify the level of change that can be absorbed by the company and the staff members and the firm's resources to accommodate those changes.

According to Kavanagh and Ashkanasy (2006) leaders play a vital role during organizational change. Leaders must be able to adapt themselves to the change as well and be persuasive when presenting the new company vision to its employees. Each situation requires a unique strategy and communication style, and great leaders must know how to address every situation singularly.

Bigger changes resulting from mergers, for example, can have a negative impact on the feeling of job security, employee self-esteem and well-being. (Callan, Terry and Schweitzer, 1995) as cited in Kavanagh, M.H. and Ashkanasy, N.M. (2006). Human Resources management strategies are critical to ensure effective organizational change.

The introduction of change in any business is always a challenging task. Yet, the need is often undeniable and the benefits of it will guarantee that the company continues to survive and maintain competitive advantage.

Internal marketing (IM) is a strong tool in business management, mostly applied for customer satisfaction, employee motivation, increase in

productivity and more. However, IM is also a powerful tool for strategy implementation and change management (Piercy and Morgan 1991; Winter 1985) as cited in Finney, S. and Scherrebeck-Hansen, M. (2010).IM is also considered as a strategy to overcome inter- organizational conflict and improve internal communication (Flipo 1986) as cited in Finney, S. and Scherrebeck-Hansen, M. (2010).

As suggested by Finney, S. and Scherrebeck-Hansen, M. (2010) the internal marketing plan is divided into four lenses (Piercy and Morgan 1991):

-Product: values and behaviour of employees that are affected by change.

- Price: the costs for implementing the plan.

- Communication: media used to inform and influence the stakeholders.

-Distribution: how the planning is explained and delivered (meetings, training, rewards).

2.3 Family-Run Business

Business owned and managed by families are significant all over the world. The key challenges encountered by family firms are finding the balance between continuity (family history, values and traditions) and the need for organizational changes is crucial adaptability and long-term success. If continuity is prioritized, the business risks stagnation. On the other hand, focusing only on change may dilapidate the company's unique KPI's, such as identity and brand reputation. (Kotlar and Chrisman, 2019).

Studies suggest that family firms are often reluctant to invest innovation, especially radical ones, due to concerns about maintaining family control, external risks and to ensure governance structure. In addition, investments in R&D require the involvement of external consultancy, which can be seen by some family members to undermine their authority. (Block, 2012; Chrisman & Patel, 2012) as cited in Kotlar and Chrisman (2019).

According to Kotlar and Chrisman (2019), family-run businesses are more likely to make changes when their performance declines and are facing competitive threats. The fear of losing control over decision-making, governance and authority, family firms behave differently from non-family firms during organizational change.

Transitioning business leadership from one generation to another is a critical moment for both firm and family. Usually, succession only happens when the first-generation leader is too sick or dies. This means that there is a long period of waiting for the second generation to fill in charge of the decision-

making process within the company. The coexistence of bot generating may result in conflicts that can directly influence business success.

As a consequence of a turbulent relationship between two generations key employees resign, merger and acquisitions are no longer interesting, and personal interaction within the family context. (Barnes, L.B and Hershon, S.A, 1976).

Family owners tend to protect their wealth accumulated in the family business by running the company with tight control. It controls employees' activities and performance to evaluate if it's aligned with the company's goal, values and aspirations. Also, to create longevity and sustainable competitive advantage, owners implemented strategies to professionalize the business by hiring external experts. This strategy can diminish the feeling of control that family owners aspire to have. (Kathuria, A. et al. 2023).

2.4 Employee Motivation and Change Management

The Human Resources Management Department plays a vital role in the development of a company. Nowadays, the business scenario changes rapidly and constantly, so the HRM needs to motivate employees by establishing clear responsibilities, performance evaluation, and promoting a strong organizational culture. Gechbaia, B. et al. (2023).

Boosting employee motivation can be ranked as the number one strategy for achieving organizational goals. Productivity relies on thorough selection and application of motivation strategies. When employees have their expectation address by their managers, motivation rockets, resulting in higher job satisfaction and consequently in massive productivity. The HRM team are responsible for applying those strategies. Gechbaia, B. et al. (2023).

Transactional leadership promotes team performance by encouraging employees to innovate and develop new ideas to grow and improve the company's sustainable competitiveness. Without micromanaging, this style fosters creativity, problem-solving and decision-making skills. This leadership approach ensures predictability and stability within the organization. (Jain, A., Mittal, M. and Bhat, A. ,2024).

As described by Jain, A., Mittal, M. and Bhat, A. (2024), Transactional leadership is based on four characteristics:

- Idealized Influence: being a good example is crucial. Staff members will look at your behavior, performance and they will try to meet your standards.

- Intellectual Stimulation: encourage staff to take risks, to innovate and have critical thinking. Promoting a work environment that supports development.

-Inspirational Motivation: make sure that employees know, follow and believe in the company's vision, mission and goals. Promote commitment to the company's objectives.

-Individual consideration: understand that each staff member is distinct and mentoring style needs to be tailored to fit everyone.

'Organizational excellence is about change' (Lawler III, E.E. and Worley, C.G. ,2006. pg.1). The vast majority of organizations won't be able to sustain performance excellence if they don't adapt to external and internal changing demands. As change happens faster nowadays, adaptability has become a crucial factor for business survival.

Even though many companies do implement change, they are set to fail from the beginning, due to internal barriers to change and the most relevant is motivation. The company needs to be structured to embrace transformation, in their operations and most importantly within their employees. Motivation and rewards to change are vital to ensure that the company is built to change. (Lawler III, E.E. and Worley, C.G. ,2006.).

According to Lawler III, E.E. and Worley, C.G. (2006.) Organizations tend to get from their employees the behavior they reward. To succeed and thrive, companies must establish a reward system that incentives adaptability and performance. Too often, they reward seniority over performance, stability over change and job size over skills.

2.5 Next Generation Take Over

Balance professionalism and family relationships are a challenge that many family-run businesses face. To find this equilibrium, a succession plan must be part of the company's strategy. Family firms have typically 24 years of lifespan, 13% are successfully transferred to the third generation and only 3% continue to the fourth generation. (Business Week,2010) as cited in Redmond (2024).

When a business is passed on to the next generation, there are a few pitfalls that can lead to failure. One of them is when the next generation only take charge because they believe that it is what they are supposed to do, not because they are interested. Another reason is when they are not well prepared, not only academically but also don't have experience in the operational area of the business.

Successors need to evaluate the need to hire external professionals to be in high level positions on the company. The feeling of losing control and hierarchy can lead to assigning unqualified family members to key managerial roles. It is vital to the company survival to be clear about the

separation between family and business. ‘it’s just a matter of communication and transparency and making sure that you are running it like a business, because the emotion needs to be taken out…’(Mascia,2024,p:10).

According to Stalk and Foley (2012), family-run businesses have the same leaders for around 25 years, in contrast to 6 years tenure in average in publicly owned companies. It can have a huge impact on how these family businesses adapt to the rapid changes in technology, business models and consumer behavior.

Another issue pointed by Stalk and Foley (2012) is that family usually grows faster than the business, reaching a point of having more successors than positions available. It’s vital to expose the new generation to the company’s operations at an early age, so they can make an informed decision on whether to accept the succession role or not.

Only committed and qualified relatives should be permitted in the firm. ‘A job with the company shouldn’t be an entitlement. Family members deserve no special accommodation’. (Stalk and Foley, 2012, p:26). Strategies for family members’ placement and career progression should be considered.

As indicated by Groysberg and Bell (2014), 63% of family-owned businesses (FOB) don’t discuss among their board members succession planning strategies. When it comes to skills that need improvement and challenges, innovation came on top, followed by concern about raising costs of materials and strategies to attract and retain talent. In addition, diversity is not seen as a priority by FOB and actions to implement a diversified time are not usually taken.

To survive into new generations, boards of Family run business must implement a regular discussion about succession training and planning, frequent performance evaluation (allowing them to identify areas and skill that need improvement) and diversification of staff members on all levels.

Conflict is commonly seen as a negative situation. However, in some situations it can result in a positive aspect for an organization, especially when it’s related to task realization. (Serra, Tomei, & Serra, 2014) as mentioned by Neske, de Oliveira Casimiro et al (2020).

On the other hand, relationship conflicts most likely have a negative impact on the business. (Großmann & Von Schlippe, 2015; Jehn, 1995) as cited by Neske, de Oliveira Casimiro et al (2020). In family firms, such conflicts can lead not only to family destruction but also ruin the company.

When family companies successfully separate feelings from businesses conflicts can generate innovative ideas, decision making processes, increase in productivity and better synergy. (Neske, de Oliveira Casimiro et al, 2020).

It's not certain that the next generation will want to take over the business, and it has been increasing the number of successors that prefer to follow a different path from the family business. So, when the transition is broken, it's when families usually think of selling the company. But when the next gen takes control of the family, you can identify a change in how they invest compared to the previous generation. They look to make a different impact and invest in sectors with positive environment and social influence. (Button, K. ,2023).

2.6 Employee Retention

As mentioned by Krishna, C. and Garg, A. (2022), employee retention is vital for the long-term success of a company. To ensure retention, four strategies should be applied: effective communication, diversification of work force, hiring highly skilled talent and constantly providing training and development opportunities. Staff turnover rate can impact directly on the overall outcome of a business.

High turnover impacts costs, training, brand standards and company image. 75% of employees are actively looking for a new job (Society for Human Resource Management SHRM,2004) as cited in Krishna, C. and Garg, A. (2022) and the leaders of the company have great influence on the employee's willingness to stay or leave.

Krishna, C. and Garg, A. (2022) suggests that the most important strategy is to create a reliable communication system and leadership must navigate wisely through the five levels of communication: intrapersonal, interpersonal, group, organizational, and intercultural (Bell & Martin, 2014) as cited in Krishna, C. and Garg, A. (2022). Secondly, the employee should be honest and clear with information, allowing the employer to determine if they align with the business's culture and objectives.

Diversity, integration, and qualifications should be prioritized by both sides. Finally, the company should focus on employee training and development, to demonstrate that a career plan is part of the company strategy for staff satisfaction and motivation. Krishna, C. and Garg, A. (2022).

There is an ongoing battle for attracting talent, but employers persist in applying the same hiring and retention strategies that are no longer effective. outdated techniques for retention are not enough for keeping an employee loner in the company. 'Tthe cost of losing an employee ranges from six to nine months' worth of that person's compensation.' (Bernstein, E., Horn, M. and Moesta, B. ,2024. Pg.45).

Bernstein, E., Horn, M. and Moesta, B. (2024) mention that organizations have been more focused on cost-cutting strategies and competition from other businesses that don't invest the necessary attention to a fundamental issue: the failure to provide fulfilling work experience. Employers must ensure supportive management, growth opportunities and career progression.

The most prevalent reasons for leaving a job are described as follows by Bernstein, E., Horn, M. and Moesta, B. (2024).

- Necessity to escape current job situation.
- Regain control over work-life balance.
- Skill and knowledge are well applied in their daily tasks.
- Career advancement.

Training and Development (T&D) aims to improve employee's skills, abilities and knowledge that leads to organizational effectiveness (Aguinis & Kraiger, 2009) as cited in Fletcher, L., Alfes, K. and Robinson, D. (2018) This HR practice focus on learning and development related to job-specific and career skills and are linked to higher retention rates (Aguinis & Kraiger, 2009) as cited in Fletcher, L., Alfes, K. and Robinson, D. (2018). (Dysvik & Kuvaas, 2008) as mentioned by Fletcher, L., Alfes, K. and Robinson, D. (2018) reasons that T&D strengthens the relationship between employees and employers.

The opportunity to acquire and increase skills and knowledge plays a vital role in magnifying employee retention. The sense of obligation to repay the company for investing in their career is a reason for them to stay. (Lee & Bruvold, 2003) as outlined by Fletcher, L., Alfes, K. and Robinson, D. (2018).

Employee retention is the most important task nowadays, and understanding the main reason that drives employees to leave the company is the key to mitigating this problem. The top three motives are compensation, training and development and career progression opportunities. (Leininger, J. ,2004).

Employees might stay in the company, but it’s important to distinguish satisfied employees from committed employees. Compensation is not the only factor in retaining employees; commitment is the vital aspect in this analysis. Leininger, J. (2004).

According to Leininger, J. (2004), there are 4 drivers for commitment: Clear communication, job satisfaction, inspiring leadership and management, effective performance system and positive work environment.

Employee retention is mostly seen as important for its relation to costs. However, according to Kujur, (2008) as cited in Dey, S. (2009), over time employees accumulate valuable knowledge and skills in accordance with the company’s operations and can pass it along to others.

The retention strategy is extremely challenging and must be adapted and redesigned constantly. Companies should focus is retaining at least employees that are great contributors and the ones that have growth potential. It all starts with the hiring process, when the firm has the chance to hire an employee that best suits the company's values, goals and dynamic. (Dey, S. ,2009).

CHAPTER 3

Methodology

3.1 Introduction

'Methodology is the general research strategy that outlines the way in which a research project is to be undertaken' (Alharahsheh, H.H. and Pius, A., 2020. Pg:40)

This chapter describes and explains the methodology, methods and approaches used to conduct the research for the project as well as the reasoning for the selected strategy. Information was gathered through data collection, interviews and surveys, following ethical procedures. *(See Appendix 7, pg:59)*

3.1 Theoretical Paradigm

The research was conducted fundamentally under interpretivist epistemology, due to the nature of interview interactions. Additionally, there are elements of deductive approach related to the survey that was conducted. The interpretive paradigm allows researchers to analyze the behavioral factors related to samples' experiences and interpret the situation as unique (Alharahsheh, H.H. and Pius, A., 2020).

Deductive approach was used as a theory-driven strategy to test a pre-determined hypothesis through the analysis of data collected from a questionnaire. This approach is used when the scope of the investigation is built based on prior knowledge of the content. (Elo, S. and Kyngäs, H., 2008).

3.2 Research Method

'Research methods are more related to the collection and analysis techniques used for data to produce and develop knowledge' (Alharahsheh, H.H. and Pius, A., 2020.pg:40).

The research method adopted on this project was the combination of qualitative and quantitative. The quantitative method is related to measuring in numbers the outcome of a survey applied to a specific theory. (Creswell, J.W.et al, 2006). The qualitative method examines the meaning of one's experience and acquired deep understanding of the research theme

throughout interviews conducted on this case study. (Alharahsheh, H.H. and Pius, A., 2020)

The application of a mixed method allowed a more comprehensive understanding and validity of the research question, strengthening the findings through the application of triangulation of the gathered information. Furthermore, it enabled to explore multiple perspectives and mitigate the risk of biased conclusions.

The Qualitative research method was applied for the owners, and the instrument used was an interview *(See Appendix 8,pg:61-69)* with open-ended questions to engage in a conversation and collect information outside of the planned scope. The questions were about change management procedures, generation succession strategies, employee motivation and how families interact within the business and employees' perception of it.

The instrument used for the quantitative method was a *survey (See Appendix 3 & 4, pg: 40-43)* conducted at the company's employees. Questions were closed-ended and about motivation, management communication, role description and expectation and the pros and cons of working in a family-run company.

3.2 Research Sampling

This project is a case study of a family-run business located in Brazil, so samples were selected from this specific business. Employees were given an anonymous survey and the company owners were part of an inline interview.

3.2.1 Samples description and its relevance

Qualitative - Interview

- Owner 1: 40 years of management experience in 4 different industries. (2nd generation)

- Owner 2: 11 years of experience in 2 different industries. (3rd generation)

The sample contained a mix of generations with contrasting approaches related to the company management style. This scenario provided a broader perspective regarding not only the need and acceptance of change but also how to tackle the challenges that come with it.

Quantitative – Survey

- 19 employees participated in the research.

  There were 4 specific employees that provided key information and insights, because they have been in the company for 55,28,14 and 10 years. They were present throughout the greater part of the company's trajectory, witnessing change in generations, management, number of clients, decrease and increase on sales.

3.3 Data Analysis

All data collected from interviews and surveys *(See Appendix 5,pg:45)* were analyzed separately and then combined. The quantitative results were presented in graphs, to better visualize the response pattern among employees and facilitate conclusions.

The qualitative results from the interview were transcribed for better analyses and the responses were compared between the two interviewees. Relevant words, expressions and subliminal information were coded into a table to allow deeper understanding of data.

The gathering of all data led to a triangulation of primary and secondary research to answer the research questions and sub-questions based on the 5 themes.

3.4 Ethical Section

To protect the rights, anonymity and well-being of participants, avoid bias and generate a responsible publication, several ethical measures were taken:

- Ethical Form A; submitted to module leader for approval. *(See Appendix* 1, pg: 35)
- Informed Consent; submitted to interviewees prior to interview date. *(See Appendix 2, pg:38)*
- Electronic Informed Consent; first question on the survey, to ensure anonymity, confidentiality and voluntarily.
- Member Check.
- Havard Referencing.

CHAPTER 4

Findings and Discussions

4.1 Introduction

This chapter presents critical findings and evidence from primary and secondary research discussed by themes. The aim of this section is to outline relevant discovery, cross-analyze data and theories, answer themes' sub questions and the main research question.

"Research is seeing what everybody else has seen and thinking what nobody else has thought."

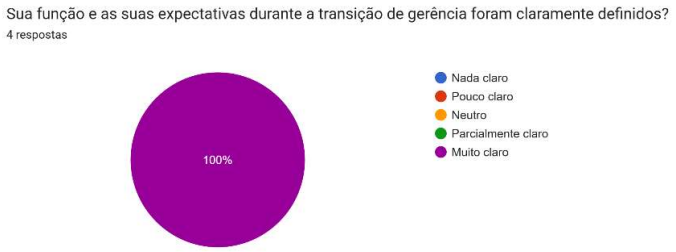
- Albert Szent-Györgyi (1893-1986).

4.2 Theme 1: Change Management

How to implement new management?

Quantitative Findings:

When employees were asked about how leaders communicated during change management, **75%** of employees said that communication was excellent and **25%** stated that it was good. Also, when asked if their roles and expectations were well defined and explained by management, **100%** said that it was clearly explained to them.



(Translation: "Were your role and expectations during the transition clearly outlined?")

Qualitative Findings:

Owner A stated that they explained to employees how change would affect them, ensured job security and encouraged participation during the process. They gave the opportunity for employees to ask questions and be an active part of the process.

Owner A also explained that the values of the business and its importance to the family were passed to the employees so they could engage and embrace the new chapter in the company.

Discussion:

According to Kslik (2018), leaders should provide an explanation of the reason for changing, and how it will benefit the team, the organization and its customers.

Internal marketing (IM) is a strong tool in business management, ensuring employee motivation, increase in productivity and more. However, IM is also a powerful tool for strategy implementation and change management (Piercy and Morgan 1991; Winter 1985).

Analyzing the literature review and findings from primary research it's possible to conclude that communication between leaders and team members is vital for a successful change management implementation. Employees felt heard and secure during the process of change due to management's ability to convey their aim, objective and expectations, resulting in broader acceptance and engagement. Role definition is crucial for successful results, dictating how employees will engage.

In a small family run business, the connection and communication among employees and managers plays a more important role than just creating a strategy for the end goal. If employees feel that their job is in jeopardy, if they don't understand their role or if they can't reach their managers during change management phases, they will not respond well to it.

Conclusion

To successfully implement changes in management and incentive employee engagement the key element is communication. Leaders must be clear when explaining the benefits of the change, how it will impact the company and each employee, and give a deep description of roles and expected results. Leaders must be open to answering questions and be the example for all employees.

4.3 Theme 2: Family-Run Business

How can family participation impact the process of change management?

Quantitative Findings:

25% of the employees believe that owners have difficulty separating business decisions from personal relationships.

Qualitative Findings:

Owner A says that they didn't hire external experts to help implement strategies to professionalize and structure the business. Instead, the family members took courses to improve their skills and used their expertise.

Owner A says that both generations working together can be challenging when it comes to implementing different changes, investment and innovation. However, **Owner A** said that they take into consideration all suggestions from the new generation because they know that they are looking to improve the business.

Owner B says that one negative aspect of working in a family-business is the fact that it's hard to convince his parents (the generation before his that are still active in the company) to invest in innovation and change procedures.

Owner B also stated that sometimes conflicts related to work are brought home and vice versa, impacting on their relationship as a family and professionally.

Discussion:

Studies suggest that family firms are often reluctant to invest in innovation due to concerns about maintaining family control. (Block, 2012; Chrisman & Patel, 2012) as cited in Kotlar and Chrisman (2019). **Both owners** expressed that deciding to invest in innovation is a critical topic when it comes to decision making. As stated by **Owner B**, older generations tend to be resistant to change because they fear losing control and risk changing what for them is good. The key challenges encountered by family firms are finding the balance between continuity (family history, values and traditions) and the need for organizational changes. (Kotlar and Chrisman, 2019)

To create longevity and sustainable competitive advantage, owners should implement strategies to professionalize the business by hiring external experts. (Kathuria, A. et al. 2023). However, **Owner A** mentioned that they

decided not to hire external experts and seek professionalization and capacitation by taking external courses. This statement shows that family-run companies prefer to keep control under the family, as cited by (Kotlar and Chrisman, 2019).

The fact that **25%** of employees believe that owners have difficulty separating business decisions from personal relationships, suggests that the coexistence of both generations may result in conflicts that can directly influence business success. (Barnes, L.B and Hershon, S.A, 1976). Perhaps the lack of external consultancy may have resulted in a non-structured transition (Kathuria, A. et al. 2023) impacting on employees' perception of management personal relationships and their reflection on the company operations.

Conclusion

Family participation can have a great impact on the process of change management, and it reflects on employees' behavior and business performance. Main factor is the difference on how different generations perceive change and innovation. Personal conflicts impact corporate decisions, and it is seen by employees, leading to a decrease in performance and engagement. To professionalize the process of change management is important to hire external consultants to guide family members in a more effective and profitable manner.

4.4 Theme 3: Employee Motivation and Change Acceptance

How to keep employees motivated during changes?

Quantitative Findings:

84.2% of employees stated that they feel motivated-highly motivated in their jobs.

63.2% of employees said that the company gave them clear objectives and role expectations.

63% say that the work-life balance is what motivates them the most to stay working in the company.



(Translation: In a scale from 1-5, how motivated are you in your job?)

Qualitative Findings:

Owner A says that business goals are being achieved, and profitability has been increasing since management change. Owner A also stated that their employees are motivated at work.

Owner B said that most of their employees are motivated. They may not feel motivated every day, but overall, they are. **Owner B** explained that many employees refer friends and family members to work at the company, proving that they are satisfied with their job and work environment.

Discussion:

Both interviews and surveys prove that Boosting employee motivation can be ranked as the number one strategy for achieving organizational goals. Productivity relies on the application of motivation strategies. When employees have their expectation address by their managers, motivation rockets, resulting in higher job satisfaction and consequently in massive productivity. *Gechbaia, B. et al. (2023).* As mentioned by **Owner A**, profitability has been increasing every year.

63.2% of employees said that their role and expected results were well explained by managers which is in accordance *Gechbaia, B. et al. (2023*) statement that the HRM needs to motivate employees by establishing clear responsibilities, performance evaluation, and promoting a strong organizational culture.

The company needs to be structured to embrace transformation, in their operations and most importantly within their employees. Motivation and

rewards to change are vital to ensure that the company is built to change. (Lawler III, E.E. and Worley, C.G. ,2006.).

Conclusion

During change within a company, it's extremely important to keep employees motivated to achieve the desired outcome. Managers must lead by example and instigate employees to be innovative and embrace change. Additionally, it's vital to address employees' expectations. Managers must understand what employees are looking for and balance it with company availability to attend it. Communication is also key, describing clearly job roles and what the company expects from each employee.

4.5 Theme 4: Next Generation Take Over

How can the process of a new generation taking over the company impact on the past generation management style and personal relationship?

Quantitative Findings:

25% of the employees believe that owners have difficulty separating business decisions from personal relationships.

Qualitative Findings:

Owner A stated that there is no succession plan and the transition happens daily, transition from 1st generation to 2nd happened without a succession plan as well. Also said that the 2nd generation has difficulties accepting suggestions from 3rd generations, but at the end they respect new ideas.

Owner B stated that he believes that the transition between generations would be easier if there was a structure plan, training.

Owner B said that he decided to take over the family-business because he grew up inside the family firm and it was the right thing to do, it felt natural. However, he decided to qualify himself to become a great manager and leader.

Discussion:

Family firms have typically 24 years of lifespan, 13% are successfully transferred to the third generation and only 3% continue to the fourth generation. (Business Week,2010) as cited in Redmond (2024). When a

business is passed on to the next generation, there are a few pitfalls that can lead to failure. One of them is when the next generation only takes charge because they believe that it is what they are supposed to do, not because they are interested. Another reason is when they are not well prepared, not only academically but also don't have experience in the operational area of the business.

As stated by **Owner B**, the reason why he is taking over the family company is because he saw it as something natural, and the way the course should continue. Also said that he gained experience from his parents and studied to improve his capacities as a leader. So even though **Owner B** started working for the company because he felt that he was supposed to, he was committed to doing his best and invested in building a strong set of skills to lead the company.

It's vital to expose the new generation to the company's operations at an early age, so they can make an informed decision on whether to accept the succession role or not. (Stalk and Foley, 2012). **Owner B** mentioned that one of the reasons that led him to work at the firm was the fact that he grew up inside the company.

Both owners stated that it is difficult to keep personal life and professional life completely separated and sometimes it may lead to conflicts in the work environment. Relationship conflicts most likely have a negative impact on the business. (Großmann & Von Schlippe, 2015; Jehn, 1995) as cited by Neske, de Oliveira Casimiro et al (2020). In family firms, such conflicts can lead not only to family destruction but also ruin the company. Corroborating the previous statement, **25%** of employees felt like owners had difficulty in separating business and personal relationships apart.

'it's just a matter of communication and transparency, and making sure that you are running it like a business, because the emotion needs to be taken out…'(Mascia,2024,p:10)

Balance professionalism and family relationships are a challenge that many family-run businesses face. So, a succession plan must be part of the company's strategy. (Business Week,2010) as cited in Redmond (2024). However, **Owner A** said that there was no succession plan implemented during transition from 1st to 2nd generation and neither from 2nd to 3rd generation. Instead, the transition happened daily in the field of work. As stated by **Owner B**, a plan for the transition and formal training would have made it easier and smoother.

Conclusion

Transitioning from one generation to another can have a major impact not only on management style but also on personal relationships between family members. It impacts on financial decisions within the company when it comes to investment in innovation, for example. Also impact on their relationships when conflicts that happened inside the firm are taken to their homes and vice versa. For family-run businesses the most complicated aspect is to separate professional from personal. Having a succession plan is vital to ensure a smooth transition and promote sustainable competitive advantage while upholding family bond protected.

4.6 Theme 5: Employee Retention

How can employee's retention affect the success of a company?

Quantitative Findings:

63% of employees say that work-life balance is what motivates them to stay in the company.

75% of employees agree that leadership communication is very clear.

52.6% of employees have been in the company for more than 3 years.

79% of employees consider their work environment as friendly/extremely friendly



(Translation: How long have you been working in this company?)

Qualitative Findings:

Owner B said that he believes that retention is inextricably linked to motivation. If an employee is not happy at his job, the person will either resign or performance will decrease leading to contract termination.

Owner B also mentioned that the reason why employees want to work at the company is the close and effective communication with management team, friendly work environment and the fact that owner prioritize their professional duties towards employees. They respect their employees' work-life balance.

Discussion:

One of the most prevalent reasons for leaving a job is the need to regain control over work-life balance. *Bernstein, E., Horn, M. and Moesta, B. (2024).* Analyzing that **63%** of the employees said that they want to stay in the company because they have balance between work and life, and that more than **50%** of the employees have been in the company for more than 3 years, we can conclude that the statement of *Bernstein, E., Horn, M. and Moesta, B. (2024)* applies in this situation.

According to *Leininger, J. (2004),* there are 4 drivers that lead to commitment: Clear communication, job satisfaction, inspiring leadership and management, effective performance system and positive work environment. **79%** of the employees said that their work environment is friendly, **75%** stated that communication within the company is clear, showing that those factors influence their commitment and willingness to stay.

Employee retention is mostly seen as important for its relation to costs. However, according to Kujur, (2008) as cited in Dey, S. (2009), over time employees accumulate valuable knowledge and skills in accordance with the company's operations and can pass it along to others. **Owner B** stated that some employees have been in the company for more than 50 years, and there are already 3 generations of their own family working at the company. The knowledge acquired by them and passed on is extremely valuable for the company.

Staff turnover rate can impact directly on the overall outcome of a business. High turnover impacts on costs, training, brand standards and company image. 75% of employees are actively looking for a new job (Society for Human Resource Management SHRM,2004) as cited in Krishna, C. and Garg, A. (2022). **Owner B** believes that if an employee is not motivated it may lead to a decrease in performance or resignation, both options impacting directly on the business long term competitive advantage, since losing an employee

does not impact only on money but also on the company's standards. Losing an employee you also lose the knowledge that was acquired during their time at the business.

Conclusion

A company's success can be influenced by a variety of factors and one of them is employee retention. When a business loses an employee, the knowledge acquired by this person throughout the years is also lost. A business must be aware of their employees' expectations and what makes them willing to stay in the company. It's important to ensure low turnover rates to preserve the company culture, values, assts and knowledge. It cost money and time to attract new talent, and it impacts on the business overall success and profitability.

4.7 Conclusion

Findings from secondary research and primary research were analyzed in this section using the triangulation technique to increase validity and credibility during cross examination of interviews *(See Appendix 9*) and surveys' findings with evidence gathered from the literature review. This technique is usually used in research where two or more data collection methods are applied. (Heale, R. and Forbes, D., 2013.) Uncovering new interpretation from the results to answer sub research questions and main research question, leading to Chapter 5 to discuss conclusion and recommendations.

CHAPTER 5

Conclusion and Recommendations

5.1 Introduction

This chapter outlines conclusions based on triangulation conducted on chapter 4 to answer the main research question, meet research objective, overall contributions and benefits of this project. Additionally, give recommendations and explain main limitations that impacted the general result of the research.

5.2 Limitations

During this project, some limitations were imposed affecting the general outcome of the research report. Most of the limitations were anticipated and strategies to mitigate these challenges were applied to preserve the integrity and quality of the project.

- **Time Zone Difference:** since the company studied is in Brazil, there is a 4-hour difference in relation to Ireland. This factor impacted on interviews' scheduling.
- **Language Difference:** Nono of the samples spoke English, so interviews and surveys were conducted in Portuguese and later translated to English.
- **Only One Family Firm:** the fact the only one company was studied in this research reduces the amount and depth of new discoveries and conclusions.
- **Survey Participation:** at first employees were hesitant to participate, probably because they were concerned about confidentiality. However, being assured that all answers were anonymous, the participation rate increased.

5.3 Conclusion

How to prevail over challenges and pursue the opportunities that arise when a family-run business scales and the new generation is taking over?

To overcome challenges and succeed during generation succession within a family-run business a set of strategies are necessary. Most importantly family members must be capacitated and passionate about the company, and emotionally intelligent to separate personal relationships from professional relationships.

Implementation of a Succession Plan is vital to ensure that only capable members earn the role, decrease conflicts that arise from different perspectives between two generations, and promote a solid and harmonic company image. 'A job with the company shouldn't be an entitlement. Family members deserve no special accommodation'. (Stalk and Foley, 2012, p:26).

Hiring external consultants to professionalize the business structure and intermediate during change in management is also an important strategy to guarantee synergy and profitability. (Mascia,2024).

Communication among leaders and family members must always be transparent and the emotional factor needs to be taken out. It will directly impact on employees' behavior, respect, engagement, motivation and retention. Clear communication must be extended to employees as well. The Human Resources Department needs to explain roles and expectations and as well the impacts of change management to foster security and participation.

As mentioned by Krishna, C. and Garg, A. (2022), employee retention is vital for the long-term success of a company. Fulfilling staff needs and expectations will improve their engagement and overall performance, impacting directly on business success.

The findings, discussions and recommendations on this project aim to benefit family-run businesses, employees that work in a family firm, family members that are taking over a business and members who are leaving the company. In addition, this research has the objective of helping other researchers by providing new evidence on the subject for further research.

5.4 Recommendations

Aiming to provide solutions and help family-run businesses prevail over challenges and pursue opportunities during generation succession, there are several recommendations on the findings of this research.

Theme 1 Change Management

- Company A should invest in Internal marketing, to promote company values, mission and goals. Since it is a family run business, employees feel closer to managers, so communication is key to success and engagement.
- Employees' roles and expected results should be very well defined and explained, with regular feedback and training.

Theme 2 Family-Run Business

- External Expert should be considered to professionalize the company structure in the sense of separating personal relationship from business decisions.
- Structure a hierarchy system to pitch and analyze new strategies suggested by both generations.

Theme 3 Employee Motivation and Change Acceptance

- Human Resources should create a reward system based on performance and feedback from managers. Clear and detailed job description should be given to every employee.
- Managers should make sure that they understand employees' expectation to foster a successful long-term relationship.

Theme 4 Generation Succession

- Development of a succession plan, based on task delegation, skill, qualification. Ensure that the family member taking over the business is well capacitated for the job.
- Implement qualification requirements for family members, to guarantee that everyone is ready to take over the company.

Theme 5 Employee Retention

- Business should focus on understanding employee's need to balance work-life. Be open to provide a flexible schedule (that is not going to jeopardize the business operations). Most employees from company A said they are happy in that area, so the company should continue with their strategy.
- Provide career progression plans, encourage staff to be part of the change and constantly promote the sense of belonging.