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## Cultural Factors that Positively and Negatively Impact Corporate Governance: Cases of Family-Controlled Firms in Brazil

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### ABSTRACT

This exploratory study evaluated the relationship between Human Resources (HR) practices, organizational climate, and employee well-being from the lens of the Social Exchange Theory. Therefore, data were analyzed using linear regression and structural equations. The results indicated that there is a positive impact of HR practices on both the organizational climate and employee well-being, as well as the organizational climate on well-being. However, the explanatory power of well-being was low, indicating the need for more customized human resources management. Additionally, HR practices and organizational climate sensitize well-being to a greater extent among women than men, suggesting that women may be able to absorb better the benefits of a friendly and contributory work environment. The study contributes to knowledge in people management oriented towards the well-being of employees.

**Keywords:** *HR Management Practices, Organizational Climate, Employees' Well-being, Social Exchange Theory*

### Introduction

Brazilian family-controlled businesses are highly representative, given that approximately 80% of legally established organizations are classified as family members, is responsible for more than two-thirds of the jobs generated in Brazil (Flores & Grisci, 2012). That said, with the constant changes in the market, new possibilities and challenges occur all the time; therefore companies need to be prepared to adapt to the demands, achieving their survival and growth in the area in which they operate (Hauswald & Hack, 2013).

The attempt by family-controlled businesses to professionalize requires an effort to introduce management models with recognized corporate governance practices, what can be

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understood as the search to build a good relationship between managers, controllers, minority shareholders and other organizational actors, requiring in many cases a cultural change (Lopes, Valentim, & Fadel, 2014).

Culture plays several roles in an organization, namely: determines boundaries, provides a sense of identity, helps the engagement of its members, encourages consistency in organizational dynamics, acts on the behaviour of its members (Robbins, 2007). In addition, corporate governance can strengthen the cultural customs of its members, support the cultural values that drive the relationship between the company and stakeholders (Robbins, 2007). Inserting corporate governance in companies requires a change in culture, requiring effort on the part of all members of the organization, especially from the leadership, considering that changing organizational culture is a long and difficult process (Lopes, Valentim, & Fadel, 2014). Given the above, and considering that there is still not enough knowledge on the subject, the objective of this study is to identify factors of cultural origin that positively and negatively influence the adoption of good corporate governance mechanisms in family-controlled businesses, in the process of changing their management models.

There are studies dedicated to understanding processes of change in family-controlled organizations and the difficulties imposed by family culture, such as, for example by Oliveira, Álvares, Pinheiro, and Pimentel (2011), which addresses the implications of the governance structure implemented in a family-controlled business from the perspective of the evolution and role of family members, as well as its implications for the influence of business management. Cançado, Lima, and Muylder (2013), in turn, in a case study, look at the life cycle, succession and governance process in a family-controlled business, pointing out the contingent and unplanned way the change took place. Also, the practice of governance proved to be a way to minimize real and latent conflicts linked to the succession process, especially regarding the professionalization of the business.

The following item presents the theoretical framework, in which the themes of family-controlled businesses, organizational culture, organizational change and corporate governance are addressed. In the third item, the adopted qualitative methodology is presented. The analysis and discussion of the data and the conclusion of the study complete this paper.

## **Theoretical framework**

### *Family businesses*

The need for constant restructuring and organizational transformation drives contemporary companies to seek new management models, as well as considering professionals who meet the requirements of this context. However, most Brazilian companies are family-controlled, being a relevant source of absorption of available labour (Macedo, 2002). The family business can be defined as that which is founded by a person, member of a family, who participates in its ownership and direction, where there are institutional values linked to the family and where succession is also linked to it (Machado, 2005). Fagundes (2004) highlights that a company is understood as a family business when it is operated by at least two generations of the family and when there is mutual interference between company policies and the interests and goals of the family. Despite several definitions, it can be considered that the family-controlled business has three trends that consist: i) at the level of ownership where most of the capital is; ii) the level of management that family members occupy; and iii) in the level of succession that the second generation of families covers about the places left by relatives,

gradually (Papa, 2008). The values, beliefs and image of the founder that integrate the organization's identity are embedded in the framework of a family-controlled business. This identification is characterized by the organizational culture, which guides the attitudes of the people who are part of it. In this way, the entire legacy of the symbolic elements that make up organizational practices is linked to the profile of the founder or group that conceived the company, starting the formation of its culture (Papa, 2008).

For a better understanding of family-controlled business, it is essential to understand the history of the founders and their path, in the search for personal and family formation, aligned with their beliefs and values. It is through the attitudes and behaviours of the founders that we have a better understanding of the specific way of running the company, in order to build the organization's culture (Fagundes, 2004).

### **Organizational culture**

Men are social beings and end up being the result of their relationship with the environment to which they are inserted. Thus, people feel the need to be part of social groups to be accepted. In this way, culture is understood as a group of diverse dimensions and levels of complexity, which is inserted in the way that one thinks, feels and acts in an objective way or through symbols, intending to include people in an integrated way and distinguish them from each other (Macedo, 2002).

According to Fleury and Fleury (1997) organizational culture consists of a series of values expressed through company symbols and practices, which aims to order, assign meanings and build the company's identity, acting with elements of communication and consensus in the way they work the relationships of domination.

Schein (1982) approaches organizational culture as a grouping of basic principles validated over time by a given group. These principles guide the ways of perceiving, thinking, feeling and acting for all, regarding the internal and external challenges of companies.

Corroborating this thought, it is highlighted that each organization has its own culture, perceived by the singularities that characterize it. Family-controlled businesses also have these characteristics, as the outline of their culture is directly related to the values, behaviours and concepts of their founders, that is gradually perpetuated by the other members of the company (Papa, 2008). Hofstede (1983) understands that culture is not inherited and portrays it as a collective phenomenon that is shared by people who are in the same social environment. Therefore, a country's culture constitutes a set of likely reactions from citizens who have common mental programming. Guiso, Sapienza, and Zingales (2006) argue that the growth of communication tools and greater availability of information facilitates the recognition of inequalities in personal preferences and beliefs, allowing the development of approaches that guide explanations based on cultural dimensions to test economic phenomena.

### **Organizational change**

Some studies guide companies looking for mechanisms for the implementation of reengineering, reorganization, quality and focus on results programs (Noer, 1999) and assist companies in the context of social, economic, political and technological changes (Tienari & Tainio, 1999), situations that imply organizational change. Lima and Bressan (2003) list several classifications for organizational change, but there is an emphasis on the dichotomy

between transformational and incremental change. Kotter (1998) lists eight critical errors that can hinder the process of organizational change: excessive complacency, not creating a strong administrative area, underestimating the power of corporate vision, inefficiency in communication, inefficiency in creating short-term goals, allowing failures to hinder the process, overconfidence and not prioritizing changes in corporate culture. The same author argues that such a process of change, to be successful, goes through eight stages: establishing a sense of urgency, creating a coalition for leadership, developing strategy and vision, communicating the vision of change, empowering employees to carry out the actions proposed to them, short-term wins, consolidating gains and producing more changes and incorporating changes in the organization's culture. Even if companies operate in several stages simultaneously, the author recognizes that disregarding any of the steps or moving away from the proposed sequence without a solid basis can create difficulties for the person in charge of conducting this process. Based on a literature review, Lima and Bressan (2003) highlight some definitions for the concept of organizational change, which is shown in Table 1.

*Table 1. Organizational change definitions*

<i>Definition</i>	<i>Reference</i>
Set of scientifically based theories, values and techniques, aiming at a programmed change in the work environment to raise individual progress and organizational performance.	Porras and Robertson (1992)
The company's return to the changes that prevail in the environment, in order to preserve the logic between the organizational elements (work, people, arrangements/structure and culture).	Nadler et al. (1994)
A passing episode specifically related to an individual logic or point of view, which allows individuals to analyze and expose the change they perceive.	Ford and Ford (1995)
Any structural, strategic, cultural, technological, human or other modification, prepared to cause repercussions in parts or in the organization as a whole.	Wood Jr (2000)
Any change, planned or unplanned, in the most important formal or informal organizational actors (people, structures, products, processes and culture), an important change, impacts most of the company's components and focuses on improving organizational performance in response to internal and external needs.	Bressan (2001)

Source: Lima and Bressan (2003).

### **Corporate governance**

The emergence of studies on corporate governance is due to the need to reduce agency conflicts, arising from divergent interests of the various stakeholders who interact in an organization (Lima & Aguiar, 2011). However, until the 1990s, governance research focused on political economy issues. With the transition from the socialist state to the market economy, seeking to increase financial markets around the world, other discussions on the theme were allowed, including questions about culture and governance (Davis & Useem, 2002).

Corporate governance is a group of mechanisms through which companies are managed, controlled and stimulated, involving the practices and relationships between owners, the board of directors, executive officers and control bodies (IBGC, 2015). As a result, good corporate governance practices transform principles into objective advice, ordering preferences in order to preserve and enhance the value of the organization, simplifying their access to capital and contributing to its longevity (Carvalho & Bordeaux-Rego, 2010).

The Brazilian Securities and Exchange Commission (*Comissão de Valores Imobiliários - CMV*) understands corporate governance as a group of conducts that aim to improve the

performance of a company, aiming to protect stakeholders, such as investors, employees and creditors, providing access to capital (CVM, 2002). This view is in line with that by Zajac and Westphal (2001), who understand that governance constitutes a group of legal, cultural and institutional arrangements that indicate what publicly traded organizations can do, who controls them, how this control is exercised and how the risks and returns of the activities they undertake are allocated.

In this context, there is a tendency to consider that corporate governance mechanisms can provide improvement in the results of organizations (Briggeman, 2009). For example, Ferkins, Shilbury, and MacDonald (2009) pointed out that the involvement of boards of directors in the strategy of New Zealand football clubs is essential, which allowed the advance of corporate governance in sports organizations in the country. Kalantaridis, Vassilev, and Fallon (2011) examined the existence of a strong link between the strategy, the governance structure and the performance of organizations in the United Kingdom, Greece, Poland, Estonia and Bulgaria. These two works in such different sectors and locations and, it should be noted, in very characteristic cultures, show the relevance, complexity and breadth that studies in corporate governance have taken.

The Brazilian Institute of Corporate Governance (*Instituto Brasileiro de Governança Corporativa* - IBGC) reports that for companies to adopt good governance practices, they need to have transparency, equity, accountability and corporate responsibility as pillars (IBCG, 2015). In this way, organizations adopt such principles favour their image, reduce risks and could differentiate themselves in the market, thus ensuring investor confidence (Steinhorts & Kroetz, 2009). Therefore, good corporate governance is based on control and coordination, as well as integration between those interested in the company (Araújo et al., 2013).

With regard specifically to family-controlled businesses, Ribeiro et al. (2012) claim that governance has elements capable of defending possible conflicts between family, property and company, providing arguments about the best form of management. In family-controlled businesses, mostly privately held, governance turns out to be a frequent proposition to mediate eventual conflicts between the company's interests and long-term survival (Matesco, 2014). Governance is directly related to the degree of transparency that the organization aims to present to the market, as well as the degree of formalization of internal processes and controls, in addition to taking into account the possibility of being a more or less professionalized company to face the challenges of the environment in which it operates (Matesco, 2014).

## **Methodology**

The objective of this study is to identify factors of cultural origin that positively or negatively influence the adoption of corporate governance mechanisms or good practices in family-controlled businesses, in the process of changing their management models. For this purpose, an interpretative study was carried out, with a qualitative and longitudinal approach, using the narrative analysis methodology. This methodology provides the basic data for the development and understanding of the relationships between social actors and their situation, whose objective is to understand in detail the beliefs, attitudes, values and motivations concerning the behaviour of individuals in specific social contexts (Gaskell et al., 2005).

The narrative analysis method provides the researcher with the interconnection between people, organizations, stories, in addition to the organizational and emotional conjuncture, and may even clarify some meanings and previous experiences (Montenegro & Bulgacov, 2015). This method consists of determining the sequence and consequence of selected and organized events that create a connection and meaning for a particular audience, from the externalization of stories and interpretation of the world from the perspective of those who narrate them, establishing a particular view of the world (Riessman, 1993). Even though personal stories predominate in modern life, the narrative has a force beyond the “I”. Narrative analysis drives discussion in the field of social sciences, organizations, politics and other macro-level processes. As people, nations, governments and organizations build stories based on their experiences, creating pre-narratives about themselves. The narrative is related to contemporary concerns with identity (Riessman & Quinney, 2005).

The research strategy was to seek particularities and comparisons through cases of family-controlled businesses that underwent processes of change in their management models. The companies were defined by accessibility and availability of cooperation, from the first contact with their areas of human resources or directly with senior management. Data collection took place through interviews based on a semi-structured script. The interviews took place with key individuals in the organizations studied. The interviewees belong to three medium and large family-controlled companies, based in Espírito Santo state, Brazil. Respondents reported that they had great importance and influence in the process of changing the management model, with the introduction of corporate governance practices. Companies are important in the state and Brazilian economic and social context, being institutions with more than ten years of foundation. In all cases, there is at least a second generation of the family in charge of the companies. There was also a third-generation being prepared to work in companies.

The first company (X) is a manufacturing company that, based in the city of Vila Velha, has been in the Brazilian market for over 50 years and exports to Latin America and Africa countries. The second company (Y), also a manufacturing company, located in the city of Serra and has been operating in the market for over 40 years. Company Z is a group that has been operating in the retail segment for over 20 years, being formed by companies in the distribution, food retail and manufacturing sectors and has brands active in the supermarket, wholesale, refrigerator, pastry, and horticulture segments.

The interviews took place at the headquarters of the companies and, starting from the interview script, allowed the emergence of narratives of the stories of elaboration and implementation of the governance model, evidencing the negative and positive points of impact on the organizational culture and starting from this. A summary of the profile of the companies studied is shown in Table 2. The interviewees, listed in Table 3, authorized the recording of the interviews, which allowed transcripts for content analysis. The number of interviews proved to be enough due to exhaustion, that is when the narratives for the topics covered began to be repeated.

*Table 2. Company characteristics*

<i>Company</i>	<i>Number of Employees</i>	<i>Main Segment</i>	<i>Size</i>
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X	450	Manufacturing	Medium
Y	183	Manufacturing	Medium
Z	3,649	Services	Large

Source: The Authors.

Table 3. Description of the interviewees

Company	Function	Time in Company	Education	Family Member	Generation
X	Production Director (X1)	10 years	Masters	Yes	Third
X	Commercial and Marketing Director (X2)	10 years	Specialization	Yes	Third
X	Personnel Administration Coordinator (X3)	19 years	Specialization	No	-
X	Planning and Costs Advisor (X4)	17 years	Specialization	No	-
Y	Executive Director (Y1)	20 years	Specialization	Yes	Third
Y	Director of Management and Finance (Y2)	6 years	Specialization	No	-
Y	Human Resources Manager (Y3)	3 years	Specialization	No	-
Y	Commercial Manager (Y4)	32 years	Specialization	No	-
Z	Chief Executive Officer (Z1)	38 years	Incomplete high school	Yes	Second
Z	Commercial Director (Z2)	24 years	Completed undergraduate	No	-
Z	General Manager (Z3)	6 years	Specialization	Yes	Third
Z	Human Resources Manager (Z4)	18 years	Specialization	No	-

Source: The Authors.

**Data analysis and discussion**

The theoretical framework allowed the establishment of basic dimensions to stimulate narratives, such as the origin of the decision to change, the communication process, the path of change, the cultural characteristics that impacted the process and its results. These dimensions combined with the interviewees’ narratives implied ten recurring dimensions, in order to verify how the organizational culture impacts and is impacted by the introduction of a new management model based on the best corporate governance practices in family-controlled businesses. Table 4 was built from these consolidated dimensions and, to support them, the evidence is highlighted in the interviewees’ statements.

Table 4. Founded dimensions and their evidence

Dimensions	Company X	Company Y	Company Z
<i>The decision for a new governance model</i>	Need for the professionalization of the company and management as a whole	Need for professionalization	Search for the improvement of the company’s management and growth
<i>Communication</i>	Initiated by the leadership, however, it is clear from their statements that the communication process was not done properly and efficiently	There was a communication from the maturation of the process, being cascaded by the managers first and later to the other employees	Started with managers first and gradually for the other employees of the company
<i>Change process management</i>	Conviction of the second generation to adhere to a new management model, succession and professionalization	One of the interviewees reports that they did not notice a change management process and the others reported that it started through a consultancy hired to support them at that time	Through the support of a consultancy to support this initiative
<i>Origin of the change process</i>	No	Yes	Yes

<i>Expectations after the process</i>	Permanence, increase in market value, creation of a decision model, alignment between managers and clarification of the company's strategy	The perennial organization, independence in decision making by managers, need for professionalization	Structured company growth
<i>Alignment of the current governance model with the company's culture</i>	All respondents understand that there was no congruence at first, a market CEO was hired who was not aligned with the organization's beliefs, cultures and values	Most respondents believe in the alignment between the company's culture and governance, only being reported by one of the interviewees the concern for personality in relationships	Yes
<i>Culture change after the implementation of the process</i>	They report that there have been small changes, mainly regarding the organization of the indicators and meetings	There has been a change in culture since all members of the company now have a greater look at management indicators	The change is related to planning for growth
<i>Characteristics of the current governance model</i>	Creation of a board of directors, contracting of external audit, distribution of responsibilities	Discipline with what was agreed, shared decision	Transparency with responsibility, structured growth
<i>Barriers and lessons learned from the organizational change process</i>	They should have paid more attention to preserving the company's values and culture, and the lessons learned cited report on the family not straying too far from the business in order to preserve family culture and values	The barriers were listed in focus on discipline and to improve the question of personality in relationships. Lessons learned to pass through constant improvement in communication	The barriers were the lack of sponsorship from some parties involved and the lessons learned were to improve communication and learn from what went wrong
<i>Actions still to be implemented in the governance model</i>	Signing a shareholder agreement and hiring a CEO	Elaboration of a succession plan, the maturity of the board of directors, succession of directors, periodic review of the shareholders' agreement	Establish the board of directors, strengthen the audit area, create the family agreement

Source: The Authors.

In the narratives, the interviewees emphasized the importance of the companies' decision when choosing the corporate governance process, listing a series of factors that led them to make this decision, which met the need for professionalization of companies, as well as in the search for business continuity, as described by Machado (2005). This author portrays the need for constant restructuring and organizational transformation, in which family-controlled businesses seek new management models, including considering professionals who meet market requirements.

The communication process with employees was also highlighted. The communication process with employees was also highlighted by Fleury and Fleury (1997). They report that organizational culture consists of a series of values that can be symbolic or through business practices, that seek to order, assign meanings, build the company's identity by acting with elements of communication and consensus and in what way they work the relationships of domination. There was evidence of alignment with the studies by Hosftede (1983), in an attempt to explain cultural differences through a grouping of phenomena in society concerning this group's aversion to uncertainty, generating a degree of anxiety in employees related to the lack of clear communication for all hierarchical levels of the company, that is, anxiety about the imminence of an unpredictable future.

The change management process, categorized as planned change, followed that described by Porras and Robertson (1992), in which the initiative came from the partners who oversaw the company. Consultancies were hired that provided specific products so that the change process was made possible and, later, leadership was involved. This stance reiterates the view

that companies are transformed due to the change in their way of thinking about management, and this happens due to the emergence of new management models and new governance mechanisms, for the improvement of the currents of thought in administration and management of companies, as Rondeau (1999).

As for the origin of the change process, there are conflicting visions of the companies, as their members differ in their opinion about the way the process was conducted. It was evident what Lewin (1951) reports: that for change to be perceived uniformly by its members and to be successful, companies must follow three steps that constitute the thawing of the *status quo*, the move to a new conjuncture and the reshuffle of the change to make it permanent.

Throughout the interviews, it was noticed that the expectation of the companies surveyed in the conclusion of the corporate governance process was to create a clear regulation of the role of each one within the organization, providing continuity and allowing the autonomy of managers in decision making. This expectation is in line with Zajac and Westphal (2001) when identifying governance through a group of legal, cultural and institutional arrangements in what they can do, who controls them how this control is exercised and how the risks and returns from the activities they undertake are allocated.

When approached about the alignment between culture and corporate governance, respondents understand, in general, that the governance of their companies is aligned with the organizational culture, consistent with Schein (1982) which describes organizational culture as a grouping of basic principles validated over time, by a certain group. These principles would guide the ways of perceiving, thinking, feeling and acting for all, regarding the internal and external challenges of companies.

Respondents, notably in the search for results, identified cultural changes. From the structuring of strategic actions, companies were permeated with the culture of control through indicators and the use of information in decisions, in order to achieve the strategic objectives of companies. From the structuring of strategic actions, companies were permeated with the culture of control through indicators and the use of information in decisions, in order to achieve the strategic objectives of companies, since culture is not inherited but portrayed as a collective phenomenon that is shared by people who are part of the same environment, thus constituting a set of likely reactions of citizens who have the same common mental programming (Hofstede, 1983).

When asked, respondents list both barriers and lessons learned in the process of organizational change. The main barriers reported relating to the difficulty for family members to feel, in fact, an integral part of the governance implementation process, the lack of clarity in the role of each in the organization, as well as the lack of separation between ownership and management. This shows a common aspect in the companies studied, in which the family attribute has been carried by several details affecting management. This is in line with the literature that shows that, in many cases, there is a search for the realization of personal interests and goals through the organization and that, in some situations, there is no convergence with the interests of the company, being difficult to differentiate the borders of the family and the organization (Sonfield & Lussier, 2004).

The lessons learned listed refer to improving communication, monitoring the process of organizational change and trying to preserve the culture, beliefs and values of the founders. This evidence coincides with the understanding that in order to understand family-controlled businesses, it is necessary to understand the history of the founders, their path, aiming to align

their beliefs and values. It is through this conduct that the specific way of managing the organization and the way of building its culture are understood (Fagundes, 2004).

Finally, in all companies, there is an understanding that a series of actions need to be implemented and that this process does not end. However, different levels of maturity are perceived in the implementation of organizational changes in each company. Company X has less maturity, company Z is evolving, and company Y is the one with the highest level of maturity, including starting to work on the preparation of successors. In general, the governance mechanisms adopted and evidenced in the interviews were: the creation of a board of directors, hiring of external auditors, the professionalization of management, creation of area committees for shared decision-making and the signing of a partnership agreement, thus clarifying the role of each family member within the organizational context.

A uniform trend is perceived in the identification of cultural factors that positively or negatively influence the adoption of corporate governance mechanisms or practices. Among the negative factors, we can highlight lack of effective communication between the parties involved in the process, lack of congruence in the interests of family members, absence of a clear definition of the roles of each family member in the management, excessive reliance on the family in decision-making and personality in relationships. As for the positive aspects, the following stand out: the possibility of professionalizing the business, a clear definition of the role of each employee in the company, defining successors, democratizing decision-making, improving transparency and improving the company's planning process. The consolidation of such factors by the company is shown in Table 5.

*Table 5. Factors of cultural origin that can positively or negatively influence a governance process*

<i>Positive Cultural Factors by Company</i>					
<i>X</i>		<i>Y</i>		<i>Z</i>	
1	Business professionalization	1	Business professionalization	1	Business professionalization
2	Definition of successors	2	Definition of successors	2	Definition of successors
3	Greater profitability	3	Greater profitability	3	Greater profitability
4	Structured change	4	Improvement and democratization of decision-making	4	Improve the management process
5	Freedom to work and to suggest changes	5	Creation of a board of directors	5	Defining the roles of each person in the company
6	Organization of meetings	6	Distribution of decision-making power	6	The pursuit of long-term vision
7	Improving discipline in deliveries	7	Understanding by the management of governance	7	Business sustainability
8	Board of directors collecting targets	8	Improvement in the planning of company actions	8	Reinforcement of the company's values, including with family members
9	Use of external audit to the audit balance sheet	9	Sharing of decisions	9	Planning
10	Agility in decision making	10	Transparency	10	Sustainable growth
		11	Use of culture to guide the change process in the organization	11	Transparency
		12	Creation of management indicators		
		13	Increased discipline in the management		
<i>Negative Cultural Factors by Company</i>					
<i>X</i>		<i>Y</i>		<i>Z</i>	
1	Inefficient communication	1	Inefficient communication	1	Inefficient communication

2	Lack of alignment of the company’s strategy	2	Personality in relationships	2	Lack of alignment of the company’s strategy
3	Forgetting the culture of the founders	3	Delay in decision making	3	Resistance to change by managers
4	Dependence of the family in decision-making	4	Dependence of the family in decision-making	4	Wear in the implementation of the process
				5	Unprepared leadership

Source: The Authors.

**Conclusion**

This study aimed to identify factors of cultural origin that influence both positively and negatively the adoption of corporate governance mechanisms or good practices in family-controlled businesses in the process of changing their management models. It was found that, yes, cultural aspects are relevant to the success of change processes and that the positive factors are more numerous than the negative ones. The adoption of governance practices allows the clarification of the role of each member of the organization, allowing management to achieve the proposed objectives concerning a variety of stakeholders. It was evident, from the narratives, that the beliefs and values built by the founders are fundamental for the continuation of the business professionalization process, in the case of family-controlled businesses.

The results suggest that the preservation of the culture and values of the founders is a premise that should not be modified during the process of change. It was noticed that some common factors motivated the choice for a new governance model, such as company permanence, distribution of decision making, search for improved profitability, the definition of successors in the business and professionalization, the latter being the most emphasized factor in the narratives. However, some cultural factors have not changed, even with the implementation of a new governance model, with the following standing out the personality in relationships, lack of alignment of the company’s strategy with the operation, delay in decision making, inefficient communication, reliance on the family in decision-making and unprepared leadership.

This study contributes to the theory in two fields of study, organizational culture and corporate governance when investigating reasons of cultural origin that positively or negatively influence the adoption of governance mechanisms or good practices in family-controlled businesses, providing evidence of the importance of communication quality, power-sharing, the structuring of change and the preservation of the culture of the founder in a professionalization process. In the practical aspects of management, this study contributes with reflections on the importance of considering aspects of organizational culture, particular to each company, in changes in family-controlled businesses.

There are limitations to generalization in this research since it is a case study with data source the narratives people who experience specific organizational phenomena, although subject to common sense, as in the case of the adoption of generalized practices of governance mechanisms. It is recommended, for future studies, to seek to investigate other family organizations of the same segment and size, in order to enrich, confirm or not the factors of cultural origin that influence phenomena of change similar to that observed in this study.

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