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Dimensions of Successful Succession. The Case of Turago Star

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Abstract: The process of succession is influenced not just by market values, but also by familial bonds. During this case's investigation, it was discovered that sibling rivalry appears to be the source of interpersonal conflict, which is the outcome of a lack of communication over time. It would eventually have an impact on the efficiency of company succession procedures. Successor preparation entails more than just gaining information, insight, and talent. If successors are to have the legitimacy required to run a company, they must gain credibility with both internal and external stakeholders. To have a successful succession, one must first grasp the various traits that are required. This study is based on a single case analysis, primary data being collected through interviews with the family members and correlated with secondary data sources. It further analyses the direct and indirect influences of the critical success factors on the succession process out of which recommendations and an implementation plan emerge. Taking into account both internal and external factors affecting the succession process in a family business, it is suggested that, to be successful, they must recognize this challenge and address it by implementing governance structures that establish clear procedures to consider when family and business conflicts and misunderstandings arise. Such institutions must be in place before the situations they govern occur.

Keywords: Family business; Succession; Strategic challenges; Conflicts; Family governance.

Introduction

This is the case of a Romanian family who started five individual companies in the city of Mangalia - Romania, on the coastline of the Black Sea. The story starts in 1999 when Mr. Catalin, finding himself in the post-communism Romanian economy where all sorts of new business emerged and flourished, decided to act upon the opportunity to establish a business. As a former marine officer, he traveled the world and acquired a lot of knowledge and new experiences. When Catalin was back in Romania, he worked in a restaurant that according to him did not achieve its full potential. Thus, due to his experiences abroad, he bought it and started to tap on his knowledge and mimic business models from abroad. The business experienced rapid growth and clients started to spread the word which helped to become a local culinary attraction. As a good entrepreneur, Catalin didn't stop here. In the vicinity of the restaurant, he built a new small hotel to attract even more tourists. During the years, following the needs of the community, he opened a grocery store and a Turkish fast-food restaurant. On top of that, a scrapyard diversified his portfolio even more. All these businesses are still present and are generating considerable revenues.

Family-wise, Catalin is a married man with Andreea, with two daughters who are currently in their thirties, Ioana and Lorena being the eldest. As time passed, Catalin realized that he needs to move on and retire from the demanding position of running all the businesses. Thus, two years ago the issue of succession arose, and this is where the problem started. By having two daughters, with both different personalities, the question of who is going to be the one stepping up and taking the lead of the business,

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resulted in an ongoing conflict between the two siblings. But before continuing with this case, it is important to first define the environment in which this conflict is present, which is believed to be of high relevance to the succession problem discussed in this family business.

Family business in Romania

Ninety-two percent of family businesses in Central and Eastern Europe are still managed by the founding generation, in contrast to seventy percent of Western European businesses (EY Romania, 2017). Consequently, the overwhelming majority of entrepreneurial families have not yet passed through the succession phase. The intergenerational transfer of business is not only a critical but also a very complex and challenging procedure. In this situation, the knowledge and experience needed to manage and solve the challenges of this typical family business process are minimal and quite limited in Central and Eastern Europe, including Romania. All the economies beyond Budapest - Hungary, have had the experience of generational exchange; they are quite mature from this point of view (EY Romania, 2017). Romania is experiencing family business succession for the first time in recent history. The proportions of these transformations are hard to predict, but will certainly generate success stories and dramas.

A large number of Romanian businesses are family-owned, which are now in the process of succession towards the second generation. Succession, as such, involves a whole series of challenges such as the founders' willingness to achieve it, the extent to which they have successors, how to choose them, who can and are motivated to take over the business, how they can plan in time the process, as well as the optimization from its legal and fiscal perspective. That's why, for this transition to the new generation to be successful, a well-thought-out succession plan is needed, even in advance (or decades ahead) to be perfectly executed. Successor communication is also critical to maintaining the business confidence in the stakeholders (Daspit et al., 2016). Furthermore, Romania is in a special situation in where the two generations between which the succession shall be executed were educated in two very different cultural periods, with dramatically different views: during communism and post-1989 (Romanian Revolution) (EY Romania, 2017). Also, there is a lack of understanding of the importance of the intellectual capital of the family business and the key role of the nonlinear integrators (Bratianu, 2011, 2013).

Current situation

In the meantime, Catalin is seriously thinking about his retirement plans. He believes that he has been burning himself out in building his business realm, and feels that it is time to step down and hand over the business. However, he would be still involved in the business as a consultant to the upcoming CEO, so that his knowledge and experiences can still be integrated into the managing process.

As mentioned before, Catalin has two daughters; Lorena, his eldest, is 38 years old and holds a management degree. She has been involved in the family business since the beginning. Currently, she is supervising the operations in three of the family businesses and helping her father in the other two, more specifically, the restaurant and hotel. The second daughter, Ioana, is now 32 years old who is pursuing a career in the hospitality industry. She has been in touch with her father’s business several times during summer training and part-time jobs during college. However, she decided to get a full-time job

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upon graduation somewhere else, mainly because of her tense relationship with both her father and sister, Lorena.

The issues started in early 2000 when Catalin and Andreea's relationship was not working well, because Catalin was fully committed to his businesses and was not spending that much time with his wife. His two daughters moved out from the city where they have been raised, namely Mangalia, together with their mother to the capital city of Bucharest. However, Lorena was hanging around her dad a lot, spending her summer holidays working at the family business. After finishing high school, she formally started her professional career within her family business. The distance between them as a family reflected the most on the younger daughter who was never close to her dad. Catalin tried hard to fix things between him and Ioana, but never managed to achieve it, as she was very young and attached to her mom and Catalin was usually busy supervising his staff and operations. Their different personalities and the age gap between the two siblings are also impediments to their relationship because Lorena was always looking at her sister as a little sister who knew nothing about how life works or how businesses are run.

Lorena was the most obvious successor to her father, as she knew a lot more about the business than her sister did, coupled with the required personal and professional traits to take over. Most of the employees in her father's business knowledge and trust her. Catalin was left with a very hard decision to take, regarding how the succession of his business, especially the ownership, should take place. Should he make Lorena his successor for all the businesses he owns? Or should he split the businesses between the two daughters? Would the two sisters succeed in managing the business together? Would their shaky relationship affect the business strategy and the flow of operations? He wasn't really sure of how he should make this succession process happen without any problems or rivalry erupting between the two sisters.

Catalin's first intent was to divide the allover ownership of his businesses almost equally between his two daughters. Lorena will get sixty percent, while Ioana the remaining forty percent ownership in each company also sharing the leadership, thus both siblings will need to work together. He decided to do this in a last attempt to fix his relationship with Ioana. Things didn't come around exactly as he expected, as neither Lorena nor Ioana were fond of what Catalin was willing to do. When Lorena first heard about her father's plan, she was disappointed and provoked as she felt like she deserves to get most of the business shares if not all of them. Lorena already felt that it is inevitable that both the company's ownership and leadership would be passed on to her based on the fact that she has been involved in growing this business with her father from the beginning, while her sister had little awareness about what has been going on with the businesses. On the other side, Ioana herself was not very happy about getting fewer shares than her eldest sister. She acknowledges her sister's contribution to the businesses, but she also thinks that she has the potential and the right to be there and act as a co-owner, together with her sister. Both sisters were explicitly dissatisfied with their father's intent and how the business's dispersion will undergo. Catalin was very disappointed after his daughters' reaction to his future picture of the businesses, believing that with this decision he would get closer to the rest of his family.

The events that lead to the current state of family businesses in Romania, being this young and founded by people with no point of reference or formal education in this domain, played a major role in deciding the importance of the current case as a landmark and standpoint for further analysis. To address the issues, the incumbents' point of view has been taken into consideration, as they are in the early stages of the succession process and the decisions are his, in this case, to be made. Both primary and secondary data had been collected by conducting semi-structured interviews with three of the family members and research data about the companies online. The analyzed data has been extracted from the conducted phone interviews with Mr. Catalin, the owner, and his two daughters Lorena and Ioana. Through this project, the aim has been to get a better understanding of the family business and its burdens as well as to provide a viable solution for a current issue in a known company.

Key challenge

The key challenge that can be identified in this case is a matter of family (business) relationships and succession in an undefined macroeconomic environment. This is composed out of several factors affecting the effectiveness of succession in the family business. Primarily, the lack of prior knowledge when it comes to family business and succession in Romania is of utmost importance. The changes in the macroeconomic environment, mainly the political regime, had led from a merely complete absence of Romanian private family companies to an outburst in the '90s, nowadays still being at the first generation. Also, the lack of studies applied to the local market has caused this common issue among Romanian businesses (EY Romania, 2017). For Catalin, it would have been tremendously helpful to have something to relate to or to discuss his situation, his decisions being grounded on preceding information, the entire conflict could have possibly been avoided. Moreover, the complexity of this family business makes it even harder for the transfer process to be smoothly achieved. The five companies are more or less in different industries, thus for all of them to grow, a skillful leader is needed. There was a clear lack of intergenerational knowledge transfer and learning processes (Bratianu et al., 2011).

The succession process is not primarily governed by market values but also the relationships within the family (Churchill & Hatten, 1997). The psychological differences, emotions, and the unalike interests of the two successors prove to be hindering factors in this process, as both Lansberg (1988) and Handler and Kram (1988) defined them. The root of their divergent opinions maybe also the poor relationship with their parents, who made them not be raised together but in separate cities, having different education and different levels of parental involvement.

Analysis

For the analysis, the conceptual model introduced by Pyromalis and Vozikis (2009) has been used. This model is not only a very helpful tool for this specific case, to understand which factors are relevant and contribute to an overall (successful) succession, but moreover, it allows gaining a deeper understanding of what the exact root problem is, rather than focusing on the symptoms. This is of importance because when a recommendation to a problem is proposed and does not solve the actual underlining problem, more harm can be inflicted instead, leading the family business to further problems while still not solving the real issue. Taking a look at the conceptual model proposed by Pyromalis and Vozikis (2009), there are five critical factors believed to affect the successions' satisfaction and effectiveness. By following and identifying each factor, a clear structure is established to evaluate each different factor and find out in which part, the actual problem is identified. Given that the model includes five factors affecting the successions' satisfaction and effectiveness, more attention shall be drawn toward the family relations and the succession planning process. Based on the current situation these two factors are the most pressing problems that needed to be dealt with

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within this family case for the business succession to take place without jeopardizing the future of the business.

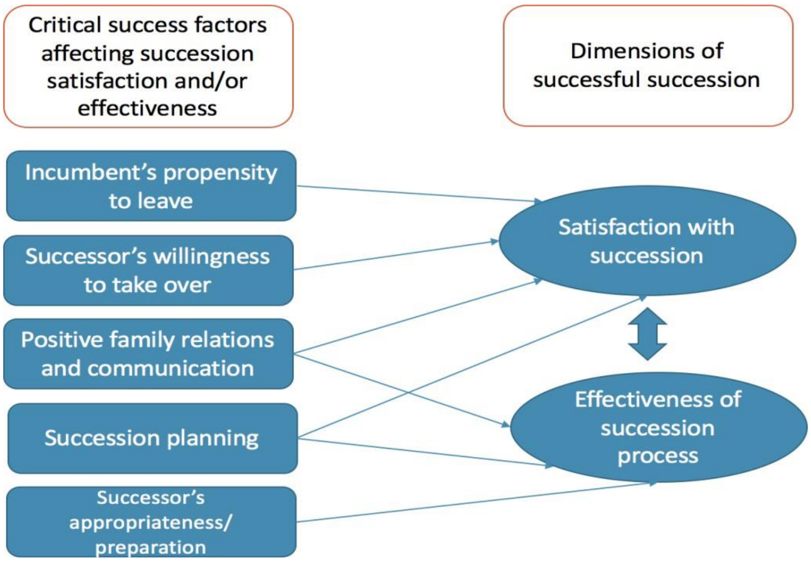

Figure 1. Conceptual framework on the direct and indirect influences of the critical success factors on the succession process (Pyromalis & Vozikis, 2009)

Incumbent's propensity to leave

The first factor that the model stipulates is the propensity of a predecessor to leave. This is related to the ability of the current family CEO to let go of the administration of a family business and hand it over to a successor (Tagiuiri & Davis, 1992). Yet, it does not only consider the incumbents willingness to step aside, but also strongly relates to how much he/she trusts the successor's capacities to run the business, and how much confidence the incumbent has in the successor's intentions (Thorelli, 1986). Thus, it is not only sufficient that the successor is willing to take over, but also that he/she needs to have the necessary competencies so that he/she can earn the incumbent's trust. Relating this to the case, Catalin is highly motivated to hand over the business to the next generation and is confident that the successors are competent enough to run the businesses. Given this, the propensity to leave factor would thus not become a constraint to the overall satisfaction and effectiveness of the succession.

Successor's willingness to take over

Numerous owner-managers of family firms want to keep the firm within the family boundaries after they resign (Kuratko, 1993). Business owners are usually looking to exchange the business to descendants of their own who are willing to proceed running it, instead of handing it over to non-family members, or in some cases selling their businesses (Royer et al., 2008). In this case, there is no doubt that the two sisters are highly motivated and willing to take over the business leadership after their father's retirement. Lorena almost knows no other career than hers in the family business and she has been a substantial addition to the business staff and where she looks forward to leading the business management with a great deal of motivation.

That being said, Ioana has never expressed either her willingness or unwillingness in succeeding her father. Nonetheless, Ioana wasn't very content with her sister getting the main leadership of the businesses, which may indicate that she is too, willing to follow in her father's footsteps. Having two potential and motivated successors for his businesses, Catalin finds himself in a lucky situation where both siblings have an interest in taking over the business, thus making the willingness to take over factor positive. However, given the fact that Lorena has always been Catalin's right hand in running the family firms in the last couple of decades, Catalin's perception of Lorena's appropriateness to take over is slightly favored over his younger daughter, which may affect the satisfaction with the overall succession slightly, but not significantly.

Family relations and communication

A relational conflict is defined as "the perception of personal animosities and incompatibility" (Kellermanns & Eddleston, 2004, p. 201). It happens from negative enthusiastic emotional or identity clashes between two or more individuals that are in a personal or work-related relationship and may be a common struggle in any business organization. Illustrations for these incorporate disagreements arise since one does not get along well with the other person or contentions that come to pass when one (incidentally) harms the feelings towards another. Due to the involvement of these negative feelings and emotional components, goodwill and shared understanding may be diminished (Deutsch, 1969), which increases conflict potential and ruins communication, and possibly escalates the severity of the already existing conflicts. Long-term consequences of relationship conflicts can obstruct family cohesion and jeopardize family firm performance and hence profitability (Kellermanns & Eddleston, 2004, p. 201). Those conflicts erupt in family business contexts with the aid of specific psycho-dynamic reasons that other firms don't have, those effects could be marital discord, identity and role conflicts, or sibling rivalry. Conceivable inheritance rights and other benefits associated to work within the family firm only serve to create relationship issues more extreme.

Throughout the conducted analysis of this case, it is believed that sibling rivalry appears to form the relationship conflict, which is a result of a lack of communication over time. Ultimately it would affect the effectiveness of the business (succession) processes. To fully understand what's going wrong in the family's relationship and their communication style, it is of great importance to zoom in more into the nature of the two sisters' rivalry and investigate how this is related to a lack of communication.

Roots of rivalry

One aspect of the roots of rivalry among siblings is the intercomparison among the family members (Friedman, 1991). Explicit acknowledgment of differences among siblings ought to be based on an appreciation for the characteristic esteem of each child's personal qualities (Bryant, 1982). Children who feel that they are cherished for their own sake are more likely to memorize that they need not crush their kin to gather parental love and attention than are children who feel that they must exceed their rivals to win these rewards (Friedman, 1991). In this case, the two daughters, especially Ioana, weren't shown enough appreciation for their individuality as the father was drained with running his business. Catalin was always encouraging Ioana to look up to her older sister as she has been successful and critical to the family business success. The fact that the two daughters didn't spend much time with each other when they got older due to living in two different cities and the age gap between them also helped water their sense of detachment and rivalry.

The second aspect that causes rivalry is the mode of justice. Equity versus Equality, another basic factor that has an impact on the quality of sibling connections is whether a sense of fairness wins on how siblings feel they are treated by their guardians

(Friedman, 1991). When one brother/sister receives preferential treatment, the others, including his/her sister/brother, will show ill will toward each other (Bryant, 1982). With that being said, one of the extraordinary critical acts of parenthood becomes how to form value (distribute familial assets fairly), recognize differences in ties among siblings, and avoid perceptions of special treatment.

“A policy of equal shares does not create a sense of equity” (Zaleznik, 1966, p. 82). On the opposite, it strengthens the feeling in siblings that individual differences, and personal achievements, are not appreciated. Looking back into Catalin’s succession plan, that’s exactly what happened when he decided to split the business almost equally between Lorena and Ioana. Lorena wasn’t apparently happy because she didn’t feel that her contribution to the business, which is much more than her sisters’, was fairly valued and appreciated. She wanted a bigger share from the cake as compensation for her dedication and commitment for many years to the family firm, let alone her personal desire to take over after her father. In a perfect scenario, for family succession to work, siblings ought to concur on core values and principal assumptions whereas permitting for the versatile expression and determination of their personal needs and preferences.

A third cause of the rivalry is how strong Lorena’s emotional ownership of the business is. Since Emotional Ownership (EO) centers on the cognitive feeling state in which depicts family members to bond to a family firm, it offers an important viewpoint to look at the relationship clashes inside family firms. Particularly the presence of EO is assumed to cause or intensify conflicts which in turn contribute to existing relationship clashes. Lorena had strong psychological ownership of the family business to the extent that she feels like she is the rightful ownership and leadership successor and she won’t be very happy with her sister Ioana taking part in this succession transition.

Succession planning

Major pain in building and keeping up an effective family business lies within one of its most feared aspects – succession planning. The complexities of family relationships in a commerce setting can make succession planning a quite sensitive process, (Handler & Kram, 1988). The family tenancy of treating children equally may lead to equal rewards for children, regardless of their dedication or contribution to the business (Sharma et al., 2003). This is what Catalin thought would be the best succession scenario when splitting up the business almost equally between Lorena and Ioana until it backfired on both him and his business. The rivalry between the two sisters from childhood would also amplify any tension that pops up during succession planning for the business and might leave other people working within the company distracted and eventually business performance would drop.

Thus, the problem becomes more evident in this case. Catalin didn’t start thinking about his potential successor and how the succession process should be executed, until recent time. Hence, transition plans have never been communicated to his two daughters before. The elder sister assumed that she is the inevitable successor, leaning on the fact that she has been associated with the business and knows more about the insides of operations and management. Ioana knew that she has been quite distant from the business, but this has never stopped her from believing that she deserves it as much as her sister does, to take over.

In addition, another factor that contributes to the problem of why Catalin’s business lacked a proper succession planning process, is that as aforementioned, ninety-two percent of family businesses in Central and Eastern Europe are still managed by the founding generation, thus lacking the relevant knowledge of succession, in contrast to seventy percent of Western European businesses (EY Romania, 2017).

As time passes, Catalin must figure out who is going to take over which part in his company and in what capacity, especially when there has not been any kind of proper business succession planning to facilitate the transition yet. Catalin is currently left with a very challenging task to act upon how to orchestrate his daughters' future wealth in a way that's reasonable to both family and business, especially with those precarious relationship patterns.

Successors' appropriateness/preparation

The preparation of successors involves more than just acquiring knowledge, insight, and skill. Successors must also gain credibility with internal and external stakeholders if they are to have the legitimacy necessary to lead a company (Barach et al., 1988). As Lorena has been working in the family business since the start, there is no uncertainty whether she has or has not had the right skills and preparation to take the lead. The issue comes with the other sibling. Ioana got her training outside the company in a related industry field, therefore knowledge-wise she does not lack the preparation. What she is missing is more about the family companies' insights and ways of conducting business. If she desires to be part of the leading team of the family business, she needs to build up on her legitimacy and get acquainted with the stakeholders and business processes.

Summing up the above findings, it clearly shows that there is a lack of communication and structure of doing things between all family members. Starting with the rivalry among the siblings, the appreciation of contribution towards the business is never really shown, in addition, the fact that they grew up in different environments contributed to the gap of (frequent) communication between the siblings, increasing the sense of rivalry between them. When it comes to the mode of justice, this also is not communicated properly towards the siblings from Catalin's point of view, resulting in a situation where one sibling feels more emotionally attached to the business than the other. From a structure point of view, Catalin acted upon a gut feeling for the distribution of the wealth, rather than following a clear structure that would justify his decisions. Lastly, a process where the skills are evaluated among the siblings is also missing, causing friction between the family members.

Alternative scenarios

Based on this analysis three possible scenarios had been developed. As stated in the beginning, taking the point of view of the incumbent, the first scenario is for him to sell all the businesses and cash out, further splitting the wealth equally within the family. Although, there is no willingness of doing it or even being mentioned by the owner, thus the possibility of selling is void.

The second scenario is to disregard Ioana's desire for ownership and accept only Lorena as a rightful successor, financially compensating the other sibling, thus buying her out. This may increase the conflict between Catalin and Ioana and also hinder the succession effectiveness. Due to the need for liquidities to pay her out and the emotional implications, this will not be a suitable decision to take.

The third scenario considers both siblings and also their current capabilities and wills. From the ownership point of view, Catalin must decide upon a rightful division of companies shares between the siblings, considering that Lorena is entitled to get the decisive part. To make sure that the businesses will still be active and profitable during the succession process Lorena will act as a CEO over all companies since she is already

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ready to take over. Meanwhile, Ioana will be conducting her training inside the company. At the end of her coaching, the leadership will be divided according to their shares, taking over some of the responsibilities of Lorena and running the companies together.

In the short term, Lorena taking over the entire leadership of the family business may be the right choice to achieve the maximum effectiveness of the succession process, but it may lead to a burnout where she won't be able to manage it all properly. Thus, taking a long-term perspective, despite Ioana's joining the leadership may shortly affect negatively the efficiency and effectiveness of the business and process, acting as a team will prove to be a rightful decision to cope with the increasing complexity of the companies.

Recommendation

To achieve a successful succession, one needs to understand the different attributes that are critical to succession. As discussed in the analysis, Handler (1994) argues that two dimensions lead to a general successful succession namely, the 'Satisfaction with succession' and the 'Effectiveness of the succession process'. These two dimensions are interrelated to each other and have several factors linked to them that influence the outcome. Catalin is facing a tough decision on how to effectively and in a fair way, deal with the succession. Therefore, Catalin must determine a proper succession plan and find a common basis and foundation of what fairness means for his family at this point in time and within specific parameters, so that the siblings get a clear understanding of the justification and decisions made by the father and that there is no fertile ground for rivalry or feelings of unfairness. A succession that is based upon an unfair treatment of the siblings, affects the intervening variable (us as consultants), which is critical to come to a consensus among the siblings, to achieve a successful transition of ownership(s) (Avloniti et al., 2014). It all starts with creating a clear and transparent structure and communication for the entire family in which the succession takes place. Therefore, it is recommended for the family to create a proper family governance structure based upon the research conducted by Martin (2001), that would ensure proper communication and structure of doing business within the family.

Martin (2001) proposes in his research, a six-step program that would establish a clear and transparent governance structure for the family. The benefit of following these six-steps of creating a family governance structure by Martin (2001) is that favoritism, stereotyping of the siblings and preferential treatment are avoided and the decisions that will be made, are based on facts and rational decisions. Ultimately, the family governance structure supports the successful succession model from Avloniti et. al. (2014) in a way that by properly organizing all aspects of a family governance structure the human needs and desires of the different family members are honored (i.e., Satisfaction of Succession) and the 'Effectiveness of Succession' is ensured.

Implementation

The first step of creating the family governance structure is the creation of an 'Open Family Communication and Culture'. This step forms the foundation of the next steps to come because a family governance structure cannot survive in an atmosphere of ignorance and distrust. The starting point of this step would be to start communicating to each other that family matters and that the conflicts should be put aside. Therefore, (annual) meetings should be held to discuss family and business matters openly. In addition, an open communication structure is needed in which a regular flow of information sharing is being done every three months among the family members. This regular flow of information sharing should not only include the thoughts of Catalin on what he thinks is fair to divide his wealth among his children, but also financial information such as how each business is performing respectively. These two communication processes are important to create transparency and fairness throughout the process. Consequently, it also helps both siblings in terms of training and know-how of each business.

The second step would include the 'Valuing Overall Family Needs over Individual needs'. This step would be quite challenging for the family to overcome since the feeling of individual needs over the overall family goals is one of the most destructive forces a family business could have. Therefore, the siblings need to take an honest look at themselves at what is in the best interest of their stakeholders, rather than individual interests. The help of a psychologist may come in handy when it comes to helping them delimit their needs and wants.

This would lead us to the third step namely, 'Importance of Demonstrated Competencies in Assigning Responsibilities'. Since there are five businesses to divide among the siblings, it is important to critically review which siblings have the right competencies of managing and growing the individual businesses. Without the right competencies, the business(es) will eventually falter, thus damaging the family's wealth and possible family relationships with the incumbent. To structure the culture of needed competencies, the family should include written requirements of experience and skills of each individual. Additionally, an educational process should be implemented, being the father who can coach the siblings on their different experiences and skillsets to increase the likelihood of succeeding within the (assigned) business.

The fourth step relates to the creation of an 'Effective Generational Succession Plan for Survival of Family and its Wealth'. Martin argues here that, no family business can be successful over time if a meaningful generational succession plan is not present. Relating to the family, this also is a crucial step that has to be undertaken, since there is no formal succession plan present within the family. This is partially due to the history of the country (Romania) which switched from socialism (centralized state) to capitalism (decentralized state) very recently in 1990, making it a nationwide problem that Romanian family businesses have no experience in succession planning. The creation of an effective succession may have the following aspects:

- Mandatory retirement age of 65.
- Clear presence of family values of work ethic.
- Employment standards focused on ability and competencies.
- The use of the governance process by constructive mentoring of promising family members for future positions (optional for future generations).

The fifth step implies the 'Creation of Family Conflict Management Process'. Especially in the s' family, where a conflict is present and thus it needs to be managed appropriately. Within the scope of the Conflict Management Process, there are different kinds of conflicts with different kinds of solutions to it:

- A classic conflict among family businesses is when a family member gets angry when he or she feels isolated (i.e. being left out, forgotten). This is exactly what happened to Ioana when Catalin decided to pass on the main of the business to Lorena. This type of problem can be resolved by following the currently discussed family governance structure. It ensures that there is a long and open communication process when any major family decision is required.
- A conflict of lack of liquidity among family shareholders should best be avoided by following the family governance process, which provides a transparent liquidity procedure with fair independent appraisals. The aim behind this

procedure is to prevent any family members from making wrong decisions when it comes to investment (proposals) that could badly affect the family's capital.

- A conflict that is related to anger regarding favoritism of certain family members or promotion within the family governance structure. As Ioana felt when her sister was favored over her in the division of ownership. This can be avoided by having clearly established family values and written standards such as the previously discussed importance of showed competencies.

This led to the last step which is the actual 'Creation and Maintenance of an Effective Family Governance Structure'. By following up on all the aforementioned steps, it allows the s' family to tackle almost every aspect a family can deal with when it is it is engaged in having a business. The main goal of implementing the Family Governance Structure is to prevent what Martin mentions in his article, the shirtsleeves-to-shirtsleeves syndrome (i.e. the first generation builds the wealth, the second lives like a gentleman, and the third generation must start all over again). Catalin has put in a tremendous amount of effort to develop his company empire, and failing to apply a suitable management structure and allowing things to go awry would be disastrous for him and his family.

Time plan

For these recommendations to be properly implemented it is firstly needed to set an array of interlocking goals. The starting point should be a clear definition of the desired result for the business. One way to easily assess the goals and to break them into smaller tasks (for the business to achieve them) is by using the S.M.A.R.T. mnemonic: Specific, Measurable, Attainable, Realistic, and Timely mannered (Deloitte, 2015). In that sense, the following time plan had been developed:

1. Annual family meetings (and culture): to be implemented immediately (every 12 months).
2. Open family communication (and culture): to be implemented immediately (quarterly meetings).
3. Meetings regarding the future of the company with the stakeholders: 1-2 weeks to be allocated for the successor to introduce themselves as the next business leader.
4. Assessing/Training the most suitable successor for each business (Importance of Demonstrated Competencies in Assigning Responsibilities): 5- 6 weeks to be allocated for the successor to be fully prepared for what's ahead.
5. Developing a succession plan for the future generations (Effective Generational Succession Plan for Survival of Family and its Wealth):3-4 months to be allocated.
6. Conflict management plan (Creation of Family Conflict Management Process): 2-3 months.
7. Family governance structure implementation (Creation and Maintenance of an Effective Family Governance Structure): Ongoing till retirement of the incumbent.

Risk and contingency plan

As there are many risks involved and also a lot of uncertainty, a recommendation is that the business should also anticipate unplanned events. The first risk is related to leadership succession. In case the successor doesn't have any interest in the business any longer, they should be able to pass or sell their part of the inherited business to the other sister. In case of an unexpected death or other circumstances that won't let the successor carry on with the business, they should have an up-to-date will and also a consistent business succession plan.

As the businesses grow and new generations emerge from their predecessors, there will be a need for shareholders agreement in which the following are covered: voting and controlling provisions, buying, and selling options between the shareholders, and the entry of new shareholders. In cases of further conflicts between the two sisters and in case of bypassing the governance plan, they should go to a court of arbitration to (peacefully) resolve the issue.

Conclusion

The fundamental challenge of any family business is the tension between business needs for growth and development and family interests to preserve its vitality. Most of the time, the family needs resources to support themselves, while the business needs funds for investment and expansion. At the same time, the family has emotional and personal needs that can conflict with business structure and objectives.

Taking into consideration both internal and external factors affecting the process of succession in s' family business, it is suggested that, for them to be successful, they must understand this challenge and address it by adopting governance structures that establish clear procedures to consider when conflicts and misunderstandings arise between family and business. Such structures must be established before the situations they regulate are manifested. Thus, these situations can be treated with minimal emotional involvement and a low degree of subjectivity. Also, by holding frequent family meetings to foster open communication among family members, regardless of whether they are involved in the business or not.

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