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The succession process at social enterprises in Brazil

Edileusa Godói-de-Sousa
Rosa Maria Fischer

RESUMO

O processo sucessório em empreendimentos sociais no Brasil

Este trabalho baseou-se em uma pesquisa realizada em empreendimentos sociais no Brasil, com o intuito de verificar se e como esses empreendimentos realizam o planejamento e a gestão do processo sucessório das posições de direção dessas entidades. Foi investigado o subconjunto das associações dedicadas à produção coletiva de bens e serviços, por essas terem uma organização formalmente constituída e visarem acelerar o dinamismo do desenvolvimento local. A pesquisa empírica foi estruturada em duas etapas, sendo a primeira um *survey* com amostra de 378 empreendimentos, para identificar quais já haviam passado ou estavam passando pela sucessão. Na segunda etapa foram entrevistados os principais gestores de 32 empreendimentos, buscando obter uma narrativa das experiências de sucessão ocorridas na trajetória do empreendimento. Nessa fase buscou-se analisar como interagem as dimensões Indivíduo, Organização e Ambiente na configuração do processo sucessório, identificando em cada uma dessas dimensões quais os fatores que podem facilitar e aqueles que podem limitar o processo sucessório. Para analisar a estrutura e as principais características do processo sucessório, os seguintes eixos orientadores foram tomados por base: dimensão Indivíduo – papéis da liderança, habilidade da liderança e estilos de liderança; dimensão Organização – estrutura, planejamento, conselhos, comunicação (transparência), controle e avaliação; dimensão Ambiente – influências dos *stakeholders* (comunidade, fornecedores, clientes, parceiros) no processo sucessório. Os resultados apontaram que o processo sucessório nas associações pesquisadas se encontra em fase de construção: adapta-se às demandas do cenário atual, mas apresenta evidentes necessidades de aprimoramento para uma condução mais efetiva do planejamento e da gestão compartilhada do processo.

***Palavras-chave*:** empreendedorismo social, associações, sucessão.

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Edileusa Godói-de-Sousa, Graduada em Comunicação Social/Jornalismo pela Faculdades Integradas do Triângulo, em Educação Física e em Artes Plásticas pela Universidade Federal de Uberlândia, Mestre em Administração pela Universidade Federal de Uberlândia, Doutora em Administração pela Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo, é Professora na Universidade Federal de Uberlândia (CEP 38400-902 – Uberlândia/MG, Brasil).
E-mail: edileusagodoi@uol.com.br
Endereço:
Universidade Federal de Uberlândia
Avenida João Naves de Ávila, 211
Bloco 1F – Sala 206
38400-902 – Uberlândia – MG

Rosa Maria Fischer, Socióloga, é Professora Titular do Departamento de Administração da Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo (CEP 05508-010 – São Paulo/SP, Brasil), Diretora do Centro de Empreendedorismo Social e Administração em Terceiro Setor (CEATS) e Coordenadora do MBA Gestão e Empreendedorismo Social da Fundação Instituto de Administração.
E-mail: rfischer@usp.br

1. INTRODUCTION

This paper focuses on the organizations that can be classified as social enterprises within the broad and diverse scope of Third Sector entities. This angle is necessary due to the heterogeneous nature of Third Sector organizations and because this study centers on organizations whose mission is to engage in productive socioeconomic activities. The objective was to verify if and how social enterprises plan and manage the succession process of their executive and managerial positions.

The Social Entrepreneurship concept is a relatively new element of the Theory of Organizations. This concept covers the establishment of organizations that simultaneously combine economic and social objectives. They are formal organizations from the legal standpoint, with administrative autonomy, and they engage in economic relations in the market. However, they differ from business organizations because they focus on meeting specific social needs. Furthermore, they pay no dividends, because any economic or financial surplus is invested back in their activities or organizational development, this being often established in their organizational charter (BOSCHEE, 2001). Such organizations emerged in the late 1990s in several countries. Some stemmed from non-profit organizations and others from mature social projects, or even from initiatives that resulted from a strategic alliance among organizations involved in different sectors.

These enterprises are characterized by their involvement in social activities that aim to create opportunities for social and economic participation (BRINCKERHOFF, 2000; BOSCHEE, 2001; MAIR and MARTÍ, 2004; AUSTIN, STEVENSON, and WEI-SKILLERN, 2006). They express the values and propositions previously found mostly in the social movements that were not part of the specific cultural patterns of corporations. Their often highly innovative initiatives focus on a variety of objectives, such as increasing the income of the poorer segment of the population, solidarity cooperation for mutual credit, microcredit for small businesses, and healthcare, education and aid where there is a lack of such public services. These initiatives introduce changes – albeit small and subtle ones – in the social and economic relations that characterize the capitalistic structure.

The typology that encompasses social enterprises can be broad and diverse, because of conceptual inaccuracy or because of the innovative creativity of the entrepreneurs (MAIR and MARTÍ, 2006; PEREDO and McLEAN, 2006; SHAW and CARTER, 2007). This typology ranges from self-managed organizations to unstructured, informal groups of people engaged in a common effort to generate income and survive under adverse conditions of extreme poverty and exclusion. These are the so-called "inclusive businesses" that emerge in different institutional formats, depending on the legal and judicial framework of each country. Their overall objective is to promote the insertion of those who are excluded into market relations and to empower them to participate in social and political issues.

Research studies by Lisboa (2009) state that social enterprises are an acknowledged sector of the national economy in Colombia, Ecuador and Nicaragua. In Africa, informal groups have gained macroeconomic relevance. The author refers to similar examples in countries such as France, Belgium, Canada and the United States.

In Latin America, according to Arruda (2004), the following such enterprises stand out: rural and urban cooperatives organized by families or indigenous groups that work together (Mexico, Ecuador); eco-consumption cooperatives (Uruguay, Argentina, Mexico, Brazil); solidarity barter markets for the barter of goods and products, as well as more sophisticated markets that employ community currencies (Argentina, Colombia, Mexico, Brazil); eco-villages that adopt self-management as the model for managing social and economic activities (Brazil); funding agencies and solidarity microcredit agencies (Bolivia, Mexico, Peru, Brazil); cooperative education (Venezuela, Colombia Argentina, Brazil); and fair trade networks that exist all over the continent. The author further emphasizes the existence of government agencies dedicated to promoting these enterprises (Colombia, Ecuador, Brazil, Mexico, Argentina). This essentially acknowledges that Social Entrepreneurship can play a significant role in the improvement of people's standard of living and that it can provide widespread access to citizenship.

Within the scope of sociological and organizational studies, the main focus of interest of national and international studies on this topic is to define Social Entrepreneurship, with emphasis on the characteristics of an Entrepreneur (DEES, 2001; MELO NETO and FROES, 2002; GRAYSON and HODGES, 2003; MORT, WEERAWARDENA, and CARNEGIE, 2003; OLIVEIRA, 2003). In-depth studies seek to identify if and how Social Entrepreneurship initiatives generate social value and economic value (BRINCKERHOFF, 2000; BOSCHEE, 2001; MAIR and MARTÍ, 2004; AUSTIN, STEVENSON, and WEI-SKILLERN, 2006), as well as the role of strategic cross-sector alliances in the development of social entrepreneurship (AUSTIN, 2001; FISCHER, 2002a, 2006b, 2006c).

The bibliography – although it is recent and is still exploring this phenomenon – has already contributed to the understanding of the organizational characteristics of these enterprises and the management challenges that they face to ensure their development and perennial nature. However, there is no in-depth research about this and no references to succession planning at these organizations. One likely reason for this is that it was only in the last few years that most Third Sector organizations and social enterprises, a large number of which arose in the 1990s, had to start dealing with the need to replace their the founders and directors.

The research described in this paper focuses on the succession process at social enterprises, with the twofold objective of triggering a debate based on the research findings and of

fostering thinking on the organizational development possibilities of such enterprises.

Thus, the basic assumption is that the succession of current directors, especially if they were also the founders of the enterprise, imposes a management process centered on organizational development, given that this succession is an organizational change whose nature is to transform. As such, succession can become a barrier to the organization's progress and can jeopardize its very survival (FISCHER, 2002a).

The world of social enterprises in Brazil is broad and heterogeneous. Therefore, the authors decided to focus this empirical study on a subgroup of associations dedicated to the collective production of goods and services. The reason for this is that these enterprises have very specific features, such as their status as officially established organizations; their mission to enable the poorer segments of the population to establish economic relations with producers and retailers in order to increase their income; their effort to adopt collaborative forms of collective work organization; and their objective of speeding up the dynamics of the local economy to expand the social participation of the community's citizens.

The study was conducted by means of a survey and the analysis of secondary data to describe the characteristics of these productive associations. The primary data enabled becoming acquainted with the experiences of the organizations' directors and executives in succession-related situations. The procedures employed and the results are the subject of the items that follow.

2. METHODOLOGY

This study of succession planning at social enterprises is an organizational research study of a descriptive and exploratory nature that sought to structure currently dispersed information and knowledge on the succession processes of these entities. The overall objective was to describe the processes, to understand them, and thus to contribute to more in-depth studies on the specific characteristics of the running of such organizations. However, this study can also be classified as applied research (SILVA and MENEZES, 2000) because it sought to identify factors, resources, actions, and interventions that might help to improve the managing of these enterprises, especially in relation to succession planning.

Given the lack of empirical studies on social enterprises in Brazil, we decided to conduct fieldwork to have closer contact with the study's subject, in order to identify how succession processes occur and to hear the opinions of the parties involved in them.

One of the main challenges of conducting an empirical study on social enterprises in Brazil is the shortage of databases with information about these organizations. Such databases would make it easier to obtain preliminary data. As productive associations of a solidarity nature were the chosen object of this study, we decided to resort to the *Empreendimentos Econômicos Solidários* (EES) database, which comprises information obtained from the mapping conducted by the Brazilian Ministry of Labor's National Bureau of Solidarity (*Secretaria Nacional de Economia Solidária do Ministério do Trabalho* – SENAES/MTE) in partnership with the *Fórum Brasileiro de Economia Solidária* (FBES). The results of this mapping were published in 2007. Use of the said database imposes several restrictions upon the representative nature of the researched enterprises, since the database encompasses organizations that identify themselves as belonging to the so-called Solidarity Economy. This was the solution found to address a universe of organizations that might be classified as social enterprises, although the establishment of a basis for a study restricted to the theoretical--conceptual limits of the Solidarity Economy was not the aim of this research.

The EES/SENAES database comprises 21,859 enterprises mapped throughout Brazil. Of these, 51% (11,326) were legally organized as associations, while 10,911 stated that they were dedicated to productive activities. To ensure that the selected entities had a history of undergoing succession processes, we decided to focus on those that were organized ten or more years ago, which resulted in 6,184 entities to be studied. The next step was to find out which of these had e-mail access and to establish contact with them. This resulted in 536 enterprises. We checked the addresses of the latter and the end result amounted to 378 entities, as we were unable to locate many of the organizations in the database.

The drop in the number of entities in the sample indicates that there are several problems affecting social enterprises, even though these organizations could be seen as relatively consolidated, given the number of years during which they had engaged in their activities. These problems include difficult access (many enterprises are in regions that lack access to means of communication such as the internet, mail services, etc.), inadequate premises, and a shortage of financial resources. These problems also highlight the need to create databases and periodic updating systems, and to expand the related information.

The project's fieldwork was divided into two parts. The first comprised a survey of the 378 sample enterprises, to identify several characteristics of those organizations that had already undergone or were undergoing a succession process. The questions included the following items: foundation year; field of activity; number of members at the time of the survey; number of founding members and how many of them were currently involved in running the enterprise; how many founding members – if any – had been succeeded by other people; how often had succession occurred at the enterprise; and whether the enterprise's charter covered the management succession process.

The questionnaires were sent through the **SurveyMonkey** software and 38 enterprises responded (a 10% response rate). This might indicate that most of the social enterprises might not

be interested in participating in surveys or that they might lack the maturity to deal openly with the succession issue. Given that the respondents were offered access to the survey results, which would enable each enterprise to conduct a self-diagnosis of its situation, this 10% response rate calls for analysis in future research studies.

We verified the 38 answered questionnaires and 32 were considered suitable for this study, as they concerned organizations that had undergone a succession process. These 32 enterprises then became the object of the second stage of data gathering, aimed at describing their organizational characteristics, learning about the respondents' opinions and perceptions on the issue of succession, and identifying the critical success factors of such processes.

Table 1 identifies the enterprises that were part of the second stage of the research.

Table 1

Enterprises in the Second Stage of the Research

Region	Association	State	Municipality	Area	Year	Number of Members	Products/ Services	Number of Successions
South 8 Associations	Association 1	RS	Jaboticabal	Urban	1990	120	Health	03
	Association 2	RS	Canguçu	Rural	1988	700 families	Family Farm	06
	Association 3	RS	Dois Irmãos	Urban	1994	21	Recycling	03
	Association 4	RS	Quinze de Novembro	Urban	1991	23	Arts and Crafts	03
	Association 5	PR	Foz do Iguaçu	Urban	1999	200	Special Education	03
	Association 6	PR	Francisco Beltrão	Urban and Rural	1995	123	Garbage Picking and Recycling	01
	Association 7	SC	Paulas, São Francisco do Sul	Urban and Rural	1998	21 families	Mariculture	03
	Association 8	SC	Jaraguá do Sul	Urban and Rural	1999	23	Arts and Crafts Farming	05
Southeast 8 Associations	Association 9	RJ	Maré	Urban	1996	32	Arts and Crafts	06
	Association 10	SP	Espírito Santo do Turvo	Urban	1991	30	Arts and Crafts	03
	Association 11	SP	Barra do Turvo	Urban and Rural	1996	102 families	Family Farm	02
	Association 12	ES	Ponto Belo	Urban and Rural	1997	120	Family Farm	02
	Association 13	ES	Venda Nova do Imigrante	Urban and Rural	1979	123	Arts and Crafts	01
	Association 14	RJ	Bom Jesus do Itabapoana	Urban and Rural	1986	50	Arts and Crafts	08
	Association 15	MG	Pirapora	Urban	1996	62	Arts and Crafts Horticulture	03
	Association 16	MG	Carmo do Paranaíba	Urban	1980	53	Arts and Crafts	04

Continued...

Continuation...

North 4 Associations	Association 17	AM	Alto Rio Negro	Rural	1992	17 indigenous communities	Arts and Crafts	03
	Association 18	AM	Manaus	Urban and Rural	1984	56	Arts and Crafts	03
	Association 19	AM	Lábrea	Urban and Rural	1997	460	Agriculture and Extraction Activities	01
	Association 20	AP	Macapá	Urban and Rural	1989	130	Arts and Crafts	09
Northeast 12 Associations	Association 21	BA	Tucano	Urban and Rural	1999	16	Animal Husbandry – Sheep and Goats	02
	Association 22	BA	Guanambi	Rural	1990	160	Family Farm	04
	Association 23	BA	Feira de Santana	Urban and Rural	1997	25	Arts and Crafts	02
	Association 24	BA	Valente	Urban and Rural	1980	750	Training Farmers	05
	Association 25	BA	Caetité	Urban and Rural	1985	1.200	Family Farm	04
	Association 26	BA	Caetité	Rural	1999	180	Agriculture	03
	Association 27	BA	Tucano	Urban	1998	68	Arts and Crafts	02
	Association 28	PE	Gravatá	Urban	1962	290	Arts and Crafts	04
	Association 29	PE	Camutanga	Urban and Rural	1999	167	Agriculture and Animal Husbandry	01
	Association 30	PE	Fernando de Noronha	Urban	1991	18	Arts and Crafts	02
	Association 31	PI	Simões Piauí	Urban	1999	28	Apiculture	01
	Association 32	MA	Santa Luzia do Paruá	Rural	1998	28	Apiculture	02

Note: The names of the enterprises researched were substituted by numbers to protect their identities.

The second stage focused on gathering secondary data about the history and characterization of the enterprises. This entailed consulting documents made available by the entities themselves and by SENAES/MTE, as well as information available on websites and in a number of publications. The primary data was obtained through semi-structured interviews with the directors, to validate the data from secondary sources, get more detailed information and hear the succession-related experiences that had occurred over the course of the enterprise's history. The interview approach focused on the main reasons that led to each succession process; whether or not this succession had occurred at a timely moment for the enterprise; the existence or lack of movements against the succession process, or the existence of some form of resistance; the opinions of the members about the future of the enterprise after the succession had materialized; the transparency of the process to the members and staff; the influence of the community, local leaders, clients, and suppliers during the succession process; the relationship between the successor and the person succeeded during the process; the greatest succession challenge; and other issues.

The interpretation and analysis of the information collected followed two theoretical models explained in the next item of this paper. The first is based on the premise that succession is not an event but rather an organizational process (GERSICK *et al.,* 1997) and, as such, must be analyzed from the standpoint of the several dimensions through which it manifests itself. In this study, we chose to analyze this process from the point of view of the Individual, of the Organization, and of the Environment to which each entity belongs (LUMPKIN and DESS, 1996). The second analytical model is based on the

proposition of Reficco and Gutierrez (2006), who associate enterprise lifecycles (Institutionalization, Decentralization and Social Conglomerate) to the leadership and management characteristics of the enterprise.

3. SUCCESSION PLANNING AT SOCIAL ENTERPRISES

The bibliographical survey on the topic of succession at Third Sector organizations revealed a shortage of literature on the subject in Brazil. As a result, this study is based on references from international research. This includes the studies of American researchers who, from the year 2000 onward, published the results of their studies on the succession processes of Third Sector organizations (WOLFRED, 2002; ADAMS, 2004; RANDALL *et al.*, 2004; TEEGARDEN, 2004; KUNREUTHER and CORVINGTON, 2007; SANDAHL, 2007; WOLFRED, 2008).

This line of research increasingly became the focus of scholars after they observed that most of the Third Sector organizations in the United States were entering a stage in their lifecycles that researchers named "the transition era", i.e., a time when a trend toward replacing the leaders of these organizations became manifest. In other words, these organizations were undergoing succession processes. The early studies showed that approximately 75% of the leaders of the entities were planning to resign because they wanted to retire. Although the features of American Third Sector organizations differ from those of Brazilian Third Sector organizations, this data was considered relevant for the study of succession at social enterprises, given that the Third Sector grew tremendously in the 1990s (SALAMON, 1998; FISCHER, 2005).

Thus, these organizations established ten or twenty years ago probably went through – or are currently undergoing – a "transition era," during which the founders resigned from their positions or lost some of their influence, a new generation of members stepped in, and the challenge was to modernize the management of such entities.

Some of the researchers see this transition as a period of vulnerability for the organizations and for the Third Sector itself: as experienced leaders step down, they create a power vacuum and an environment that can lead to tiresome conflicts (RANDALL *et al.*, 2004; SANDAHL, 2007). Other authors, however, emphasize that these extensive changes actually provide many opportunities for diversifying leadership styles and for moving forward in terms of the development of the organizations undergoing a succession process and of the Third Sector as a whole (WOLFRED, 2002; TEEGARDEN, 2004; ADAMS, 2004, 2006; KUNREUTHER and CORVINGTON, 2007). According to these analysts, the moment of transition can drive organizations to focus on succession planning and to prepare to deal with the transformations that will help to strengthen the entities in the Third Sector as a whole.

Recent international literature has provided evidence on the main implications of this transition and the attributes of the new leadership. In addition, it has prescribed several strategies for succession planning (ADAMS, 2006; KUNREUTHER and CORVINGTON, 2007; WOLFRED, 2008).

In Brazil, very few researchers have conducted empirical research on Third Sector organizations in order to trigger discussions on the preparation of successors and the management of the succession process. One of the explanations for this dearth of academic studies is the difficult access to this type of organization in Brazil, largely due to the lack of systematic data records in official databases.

One of the Brazilian studies in the theoretical references that formed the basis for this paper was conducted by Comini and Fischer (2009). Their research study involved eight Non-Governmental Organizations (NGOs) with national and international legitimacy and it focused on a preliminary approach to the topic, to identify the opinions and perceptions of the NGOs' leaders regarding succession planning and the difficulties faced by their organizations during this process. Although the respondents had manifested their interest in and voiced their concern about succession, their reports indicated that no initiative had been taken to organize and plan the succession process.

The difficulties related to the scarce bibliography on the topic of succession planning at NGOs became even more evident when the researchers focused on a survey of studies on succession planning at the social enterprises chosen as the object of empirical studies, especially at the organizations involved in productive economic activities. In other words, a survey of publications evidenced that literature on Social Entrepreneurship is limited, mainly because this phenomenon is relatively new in the realm of research studies, as has already been mentioned in this paper. In addition, Brazilian scholars dedicated to studying Third Sector organizations do not regard the issue of succession planning as an important line of research.

The dearth of literature on the topic drove a search for theoretical explanatory models used to study succession planning at other kinds of organizations that had some similarities with social enterprises. This evidenced that Brazilian authors have centered their research work mostly on succession planning at family-owned companies, adopting international models, such as the analysis and planning model proposed by Gersick *et al.* (1997). These researchers designed a three-dimensional model for succession that seeks to understand the transitions taking place within the family, the management, and the ownership of such organizations, identifying the key challenges faced during the succession period. This model shows that the succession process must be studied from a complex perspective, as it encompasses cognitive, emotional and contextual processes.

In the case of social enterprises, these evidences require further theoretical research and validation by means of empirical research, since the model proposed by Gersick *et al.*

(1997) does not consider the context of such enterprises, since the issues of family and ownership do not apply to the reality of these initiatives. However, the adoption of a line of reasoning similar to that of the study by Lumpkin and Dess (1996) shows that initiatives to establish entrepreneurial organizations result from a combination of three elements: the **Individual**, who decides to organize a social enterprise; the **Organization**, which encompasses the structure, strategy and culture adopted to shape the enterprise; and the **Environment** around the enterprise, with which it interacts and whose characteristics influence its performance. These studies enabled proposing to analyze succession planning at social enterprises as a process comprised of three elements: Individual, Organization and Environment; analytical elements were adopted for these three items in order to collect and analyze the primary and secondary data on the 32 associations examined in this study.

However, these analytical categories in themselves are insufficient to enable one to fully understand the phenomenon, given that the interaction between the Individual (the person being succeeded and the successor), the Organization and the Environment is a dynamic process involving several elements in each of these dimensions. These elements differ at each stage of the enterprise's development. Thus, Adizes (1993) and Gersick *et al.* (1997) associate the succession process to the organization's lifecycle, pointing out that the specific characteristics of each stage of the organization's lifecycle strongly influence the aspects that should be taken into account to manage the succession process.

Consequently, the bibliographical research focused on studies that describe the evolutionary pathway of social enterprises, in order to identify which organizational characteristics could be considered specific to each of their lifecycle stages and whether such specificities condition succession situations.

Concerning social entrepreneurship specifically, Reficco and Gutierrez (2006), based on studies of more than 40 social organizations in Latin America, emphasize the powerful correlation between lifecycle and the role of the leaders. These authors created a descriptive typology of the four stages that a Third Sector organization undergoes: Initial; Institutionalization; Decentralization; and Social Conglomerate.

According to these authors, each of these stages requires different leadership styles. In its Initial stage, the organization usually grows under the personal influence of a charismatic leader with the power to attract people's support. During the Institutionalization stage, the leader guides and controls decision-making and influences all the levels of the organization to promote the adoption of an organizational culture. In the consolidation or Decentralization stage, the leader produces efficient results, thanks to his role of providing guidance for the employees and his capacity for encouraging them to take responsibility for running autonomous units. This is a critical stage for the succession planning process, because the characteristics of a charismatic leader able to manage an organization do not always move towards Decentralization peacefully, as the re-allocation of power tends to be a *sine qua nom* condition of the shaping of the management model. The authors state that the political leadership style is more appropriate for the needs that emerge during the Renovation or Social Conglomerate stage, because at this point the leadership must focus on consolidating the organization's interests, on establishing partnerships, on gaining more exposure for the organization, and on establishing explicit relationships with the stakeholders that comprise the organization's environment.

This work builds up a "typical-ideal" model of the relationship between the organizations' development stage and the leadership styles appropriate for the specific characteristics of each organization. In practice, such characteristics can be a mixture of the "lifecycles" of the organizations, the attributes of the leader, and the styles of the directors and managers. However, the use of this general typology along with the three dimensions – Individual, Organization, and Environment – enabled systematizing the information obtained during the study's fieldwork, thus contributing to the understanding of important aspects of succession processes at social enterprises.

By using this analytic model, one can also obtain a pragmatic result, as organizations become able to identify what to do, how to do it, and at what time to start managed succession planning, in order to keep the enterprise from getting weaker or disappearing prematurely as a result of the failure to align the specific needs of its lifecycle with the leadership style of its leaders.

After assessing the complexity of the dimensions of this analytical model, we concluded it would be necessary to understand the role of governance mechanisms in relation to guiding the succession process. Sathler (2008), who conducted a pioneering study in Brazil on governance in NGOs, believes that governance is applicable to these organizations because of the need for networking among people and groups with a wide variety of interests and expectations.

In the international literature (MIDDLETON, 1987; KNOKE, 1990; STONE and OSTROWER, 2007), and in the domestic literature (SILVA, 2001; MENDONÇA and MACHADO FILHO, 2004; FISCHER, 2006a; LEAL and FAMÁ, 2007; SATHLER, 2008; MINDLIN, 2009), empirical studies and theories have described governance functions at Third Sector organizations, comparing this governance literature to literature on Corporate Governance in the realm of conventional business.

Based on the possibly similar aspects of business organizations and social enterprises, the research studies of Fischer (2006a) specify the following functions of governance: determine and review the mission, values, objectives and key strategies; evaluate the results of activities relative to those principles; determine the mechanisms used to delegate authority within an organizational structure; monitor performance and protect the organization's assets; ensure compliance with the law; strengthen and evaluate the performance of the management

team; promote the organization's public image; and encourage the bonds between the organization and society as a whole.

Within this perspective, Donaldson and Preston (1995) point out that organization directors must acknowledge the different groups involved in the enterprise and their specific interests. Thus, one can consider that the theory of stakeholders is also a key reference for analyzing and conducting a succession process. This theory recommends verifying the influence of each group related to the enterprise – the members, clients, community, suppliers, government and staff, among others – that is able to exert significant pressure on succession-related situations.

This theory is particularly important for research on Third Sector organizations, as they aim to meet social needs, even though they are formal, private-sector enterprises. This characteristic – in principle, at least – creates powerful ties with the stakeholders that comprise the organizations' relationships and results in the expectation that these players will participate in the management processes – which include succession planning, as highlighted in this paper – that are crucial for the perennial nature of the organization.

The structuring of the theoretical and conceptual framework of the study required extensive bibliographical research, with references to many authors and approaches, for the establishment of analysis parameters for the succession process at social enterprises. This is reflected in Table 2, which summarizes the configuration of the parameters for the analysis of the succession process at social enterprises based on the following aspects: **Individual**, based on the lifecycle (ADIZES, 1993; GERSICK *et al*., 1997; DAFT, 2002) and types of leadership (REFICCO and GUTIERREZ, 2006); **Organization**, based on institutional governance mechanisms (KNOKE, 1990; CHAIT, HOLLAND, and TAYLOR, 1993; FISCHER, 2006a) and **Environment**, based on the stakeholder theory (DONALDSON and PRESTON, 1995; CAMPBELL, 1997; ROWLEY, 1997; FOMBRUN, GARDBERG, and BARNETT, 2000; FREEMAN and McVEA, 2000).

4. CHARACTERISTICS OF THE SUCCESSION PROCESS AT THE ENTERPRISES ANALYZED BY THE RESEARCHERS

To analyze the structure and main characteristics of the succession process at the entities studied in this piece of research, the parameter was the proposed model, whose guiding elements for each dimension were as follows: **Individual**: leadership roles, leadership skills, and leadership styles; **Organization**: structure, planning, boards, communication (transparency), and control and evaluation; **Environment**: stakeholders' influences (community, suppliers, clients, partners) on the succession process. These dimensions were associated with the enterprises' lifecycles (Institutionalization, Decentralization and Social Conglomerate) identified on the basis of the enterprises' characteristics, as reported by the managers during the semi-structured interviews.

Concerning the **Individual dimension**, it appears that the founder's leadership of all the aspects of the enterprise is a characteristic that stands out among the organizations in the **Institutionalization** stage. At this point, there is no concern for the succession process, because succession is not a managerial decision; it occurs only because of a legal determination, i.e., the tenure established by the organization's charter. This is why the most common situation is that the leader who holds the position of president or executive director of the organization merely allocates job positions among leaders of the same group. There are no established rules for the selection of candidates to the position of president and no formal or structured actions are implemented to proceed with the succession. In general, there is no dispute for agreements, nor any selection process. Negotiations are conducted and agreements reached within the universe of the group of people who founded the organization or who are the founders' trusted friends. It is common for a small group of people to move from one managerial or executive position to another and the turnover occurs among these individuals.

The majority of the organizations analyzed in this study are in the **Decentralization** stage. Here, the founders no longer hold leadership or executive positions at the organization and the line of discourse of the current presidents is that they want to decentralize executive actions by redistributing power. However, none of the respondents mentioned the existence of a succession plan or of clearly established criteria to delegate executive responsibilities. The results indicate that there is awareness of the need to change succession procedures, aligning succession planning with the organization's lifecycle; however, there is no drive toward action.

At the enterprises analyzed in this study that have reached the **Renovation or Social Conglomerate** stage, the founding members no longer hold any executive positions. The interviews with the current directors indicated that they are concerned with identifying and preparing future successors, especially in view of rising managerial complexity and of the need to modernize the organization by developing skills, as well as to reach out to younger generations. However, even though they are increasingly focused on a participatory style, these leaders still preserve predominantly executive characteristics.

Table 3 summarizes the key aspects identified in the analysis of the succession process in relation to the **Individual dimension**, according to the perception of the leaders interviewed for this study.

The findings of the empirical study proved to be coherent with the sources of the theoretical references. The latter indicate that during their early stages, enterprises are the personification of their founders (SCHEIN, 1986; GERSICK *et al.*, 1997; LEONE, 2005), whose attitude and influence make it difficult to implement any changes (LODI, 1986; BERNHOEFT, 1989; COHN, 1991). In the subsequent stages, there is a tendency for leaders to decentralize their authority (REFICCO and GU-

Table 2

Three-Dimensional Model for the Analysis of the Succession Process at Social Enterprises

Dimensions	Theory/ Authors	Categories	Phases of the Lifecycle (Adizes, 1993; Gersick *et al.*, 1997; Daft, 2002)			
			Beginning	Institutionalization	Decentralization	Social Conglomerate
Individual	Leadership Reficco and Gutierrez (2006)	Roles	• Make decisions • Analyze surroundings • Build up hierarchies • Capitalize on contact networks	• Develop political structures and systems • Create work groups • Ensure economic sustainability • Reconcile different interest groups with the organization's mission	• Expand social actions • Decentralize operations into autonomous units • Decentralize power and delegate it to other leaders of the organization	• Reconcile interests • Coordinate different enterprises within the same structure • Develop strategic alliance • Promote the organization's exposure
		Skill	• Undertake • Diagnose	• Align strategies • Motivate	• Delegate	• Coordinate • Negotiate
		Styles	• Charismatic	• Executive	• Participatory	• Political
Organization	Institutional Governance Knoke (1990) Chait, Holland, and Taylor (1993) Fischer (2006a)	Structure	• Informal and non--bureaucratic • Management model operated by founder	• Informal with some procedures • Centralized and functional structure	• Formal procedures • Decentralized structure • Professionals from different fields • Participatory management	• Team work • Collective responsibility • Professional management
		Planning	• Driven by opportunities	• Establish key institutional policies	• Review vision, mission, objectives and main strategies and goals for the future	• Ensure development of adequate strategic plan • Make room for innovation
		Role of Advisory and other Boards	• **Contextual** Dimension: adapts to distinct characteristics and to the culture of the rganization's environment	• **Contextual** Dimension: based on mission, values, and on the organization's tradition, uses these elements to guide decisions and acts to reinforce the organization's values • **Educational** Dimension: self-reflection, to diagnose strengths and weaknesses and analyze errors	• **Interpersonal** Dimension: identifies and cultivates leadership • **Strategic** Dimension: a) cultivates and concentrates on processes that best define institutional priorities b) anticipates potential problems and acts accordingly before issues become urgent	• **Analytical** Dimension: looks extensively for solid information and actively seeks different points of view from multiple target audiences • **Political** Dimension: a) respects the integrity of the governance process b) seeks to minimize conflicts

Continued...

Continuation...

Organization	Communication (Transparency)	• Simplified and informal	• Use of multiple communication channels	• Establish organizational accountability	• Promote the organization's public image, providing a link between the organization and society • Convey the organization's values to society
	Control and Evaluation	• Based on supervision of founder(s)	• Ensure compliance with legal requisites • Strengthen and evaluate management team's performance	• Monitor financial performance and protect the organization's assets • Find mechanisms to control and coordinate departments without direct supervision of the organization's leaders	• Monitor managers' performance • Approve and follow programs and services provided by the organization
Environment	**Stakeholders Theory** Donaldson and Preston (1995) Rowley (1997) Campbell (1997) Fombrun, Gardberg, and Barnett (2000) Freeman and McVea (2000)	• Acknowledge the existence of different groups involved with the enterprise and their specific interests	• Create legitimacy for stakeholders • Consider each stakeholder's networks of influence	• Verify the influence of each group involved in the enterprise (members, clients, community, suppliers, government, and staff, among others) and understand how this influence occurs	• Qualify the type of stakeholder and identify its importance for the organization • Set up strategic alliance • Understand the interests of each group and the reactions to the organization's actions

TIERREZ, 2006), generally because of the pressure of changes in the external context, which often oblige the organizations to "reinvent themselves" to survive.

Concerning the **Organization dimension**, the analyses uncovered some aspects in common:

- The **structure** of the succession process is characterized by informality and a short-term vision. Most of the organizations do not establish a limit on tenures and the coordination of the process is carried out by the managing directors.
- There is no effective **planning** of the succession process, especially at organizations that are at the Institutionalization stage.
- There is evidence that the communities do not take part in the organizations' daily activities or in the decision-making processes. For example, the organizations do not have **advisory boards** comprised of members that are not part of the organization.
- There is no focus on internal and external **communication** dynamics to increase the exposure and transparency of the succession process; communication is restricted to meetings of the executive board and members of the organization sometimes do not participate in such meetings.
- The **control** and **evaluation** of the succession process are not part of the daily routine of the organizations studied in our research, mainly because of lack of planning and little or no emphasis on communication and participation.

The main results identified in the analysis of the succession process regarding the **Organization dimension** are summarized in Table 4.

These findings are similar to those mentioned in specialized literature, which indicates that in the early development stages of an organization the structure is centralized and informal, and authority, seldom delegated (ADIZES, 1993; DAFT, 2002); that the lack of succession process planning results in part from the fact that the leaders are not under pressure for change (LODI, 1986; BERNHOEFT, 1989; COHN, 1991); and that very few organizations invite outsiders to sit on their boards because they tend to avoid the influence of people that do not belong to the founding group (GERSICK *et al.*, 1997). This is why the leaders of the enterprises usually begin to feel the need to implement formal control and evaluation systems when they reach the **Decentralization** stage (DAFT, 2002). When these procedures are added to the organization's daily management procedures, they start driving the need to formalize the succession planning process.

Since half of the 32 enterprises covered in this study are at the Institutionalization stage, it is easy to understand why they still lack specific procedures to plan and deal with succession. However, it is important to emphasize the need to create favorable conditions for the implementation of such practices, systematically and deliberately, in order to contribute effectively to local and community development.

Table 3

Key Aspects Identified in the Analysis of the Individual Dimension

Phases	32 Organizations	Leaders		
		Roles	Skill (Characteristics)	Styles
Beginning	No Organization	-	-	-
Institutionalization	16 Organizations	• Reach out to the community • Bring together people with common objectives • Re-allocate leadership positions in the same group of people	• Commitment • Vision • Responsibility • Talent for organizational mission • Reliable • Experience	**8 managers** with **Charismatic style** and **8 managers** with a combination of styles **Charismatic-Executive**
Decentralization	13 Organizations	• Provide structures for the acquisition of the required skills • Identify change-related tendencies guide strategic re-directions	• Ability to lead • Convey enthusiasm • Demonstrate responsibility to perform obligations	**6 managers** with **Charismatic-Executive** styles and **7 managers** with **Executive-Participatory** styles
Social Conglomerate	3 Organizations	• Share experiences • Help prepare potential successors with different skills	• Share experiences • Help prepare successors with different skills	**3 managers** with a combination of styles: **Charismatic-Executive--Participatory-Political**

Table 4

Main Aspects Identified in the Analysis of the Organization Dimension

Stages	32 Organizations	Institutional Governance				
		Structure	Planning	Advisory Board	Communication	Control and Evaluation
Institutionalization	16 Organizations	Centralized and informal (no structure for the succession process)	None	None	No communication to increase exposure (transparency) of the process	None
Decentralization	13 Organizations	Some actions are implemented to build a better succession process	Emergency planning (when the need for succession arises)	None	Planning meetings are held; these meetings are open to all members	None
Social Conglomerate	3 Organizations	Sequence of actions implemented to improve structure and formality of the process	Existence of actions for the improved planning of the succession process	Only one organization has an advisory board	All members are encouraged to attend the meetings and discuss the succession process	None

In the survey of information about the **Environment dimension,** the respondents were asked about the influence of people outside of the organization and most claimed that succession planning had not undergone external influences yet. Others stated that this influence was limited to the time when new members had been appointed to executive positions, at which time conversations were held with the community to identify possible candidates. This allows us to state that the organizations covered in this study lack a strong relationship with the context around them. Thus, the role of the community is still relatively small when it comes to succession planning at these enterprises. This is a paradox, as the overall expectation is that social organizations must have strong and long-lasting ties with the community in order to build social transformation jointly.

Some of the organizations voiced concerns about this isolation and how this might influence their future in the aftermath of the succession process. This could become a key indicator, in the sense of provoking changes in the enterprises' succession processes, especially when such concerns stem from funding entities and business entities that choose organizations with which to establish strategic alliances. In this respect, the literature states that organizations must acknowledge the different groups involved in the enterprise and their specific interests (DONALDSON and PRESTON, 1995) in order to benefit from outside contributions to conduct the succession process.

Table 5 summarizes the analysis of the key aspects of the succession process identified in connection with the **Environment dimension**.

It is important to emphasize that the data related to this study was collected from interviews with the leaders of the 32 participating organizations. This is why this information must still be broken down to identify the opinions of representatives from each of the levels – for example, the community, suppliers, clients, partners – regarding their possible influence on the succession process of these organizations.

5. CONCLUSION

To describe the succession planning structure at the organizations that were the object of this study and to analyze their main characteristics, a three-dimensional analytical model was employed, which can be regarded as one of the products of the study, given that the lack of bibliographical references and specific research studies on this topic dictated an exploratory approach for more advanced work and for the improvement of the management practices of social enterprises. The importance of the model resides in its broad scope and its capacity to capture contributions from several approaches and authors in the same architecture, while still maintaining its focus on the organization and on the existing variables that are crucial for the analysis of succession planning at social enterprises.

The succession-related characteristics at the enterprises covered in this study were simultaneously associated with two basic analytical elements: the first consists of the model's three dimensions, obtained from the theoretical references on succession management: **Individual, Organization** and **Environment** (LUMPKIN and DESS, 1996). The second stems from the theory of organizational lifecycles adapted to NGOs. In keeping with this theory, social enterprises go through three development stages: **Institutionalization, Decentralization** and **Social Conglomerate** (ADIZES, 1993; GERSICK *et al.*, 1997; DAFT, 2002), to which ideal leadership types correspond (REFICCO and GUTIERREZ, 2006). These analysis parameters made it possible for one to identify a relationship between the succession process and the enterprises' development stages.

The results indicate that there is an awareness of the need to change succession procedures in order to adapt the process to the organization's lifecycle. However, no actions are being taken in this respect at most of the social enterprises covered in this study.

Most of the leaders of the said organizations are aware of the importance of planning and managing succession. How-

Table 5

Key Aspects Identified in the Analysis of the Environment Dimension

Phases	32 Organizations	Stakeholders' Influence		
		Community	Partners	Suppliers and Clients
Institutionalization	16 Organizations	No	No	No
Decentralization	13 Organizations	No	No, but manifested interest in information on the succession process	No
Social Conglomerate	3 Organizations	Yes, by means of community councils	No	No

ever, they lack the tools to achieve this and did not manifest the intention of seeking such instruments. They believe in the importance of shared management of the process as a way of reconciling the expectations of their clients and of outsiders. Still, this attitude is based merely on personal relationships rather than on formal procedures established to manage the relationship between the organization and its stakeholders.

Concerning the possibilities and limits of the contribution of succession planning to the development and survival of these social enterprises, this study found that the limiting factors of the process identified in the **Individual** dimension concern the lack of capabilities of those who are interested in the position. Another difficulty is related to leadership training, to the fact that people are not interested in taking on responsibilities. In some cases, the founders themselves refuse to step down, which generates conflicts. The fact that executive positions at social enterprises are not remunerated is another issue. The analysis of the **Organization** dimension overall showed that the limiting factors include members' resistance to change and lack of planning. Fear of changes and non-acceptance by the community were also highlighted as limiting factors in the external **Environment** dimension.

Several factors that might facilitate succession planning and help the development of the organizations covered by this study were identified. The first concerns the **Individual** dimension, if the former president remains as a member of the new executive board or provides support as member of the advisory board. Another factor tied to this dimension is the qualification of future successors. In relation to the **Organization** dimension, the following positive factors were emphasized: the trust among all the players involved and their team spirit. As for the **Environment** dimension, the role of community councils is a major succession planning factor. However, most of the initiatives analyzed acknowledged that such councils still lack direct influence on succession.

The specialized literature led to certain recommendations for succession planning at these initiatives. Regarding the **Individual** dimension, the recommendation is to intensify the communication flow, to attract stronger engagement and commitment from all the stakeholders; another recommendation is to clarify objectives and expectations, share planning, and prepare future leaders (COHN, 1991). Getting the organization's founders and former executives to act as formal or informal advisors can reinforce the organization's cultural patterns and be a source of inspiration for the preparation of future leaders.

Concerning the **Organization** dimension, there is an evident need to raise the awareness of all the stakeholders as to the importance of succession planning as a driver of growth opportunities, learning experiences, and development opportunities for the stakeholders and for the enterprise (WOLFRED, 2002; ADAMS, 2004, TEEGARDEN, 2004; ADAMS, 2006; KUNREUTHER and CORVINGTON, 2007); it is also necessary to build up organizational guidelines and strategies in a participatory manner and to prepare succession planning based on the organization's values, mission, and future prospects (ADACHI, 2006). Community councils may lessen the dependence on organizations' founders, thus strengthening the enterprise's ties to the community.

As for the **Environment** dimension, the recommendation is to map the main stakeholders in order to create communication channels with them, informing them of future possibilities and changes under way at the enterprise (GOMES and MILITÃO, 2009). This makes it easier to deal with resistance and increases the exposure of future leaders and of the enterprise itself, which enables the construction and empowerment of alliances.

It is important to emphasize that there is no single model for the management of succession planning at social enterprises. Each organization has to develop its own guidelines in line with its identity, which is based on the values and the mission that justify the organization's status as a social enterprise. Succession planning must be viewed as a growth and change process involving all the parties – stakeholders and outsiders – that believe in the organization's mission and that are willing to ensure its continuity and development.

In short, the main contribution of this research study was to propose parameters to guide and support the analysis and monitoring of succession planning at social enterprises. Several issues related to succession planning at productive organizations were clarified, such as the relationship between the enterprise's lifecycle, corporate governance, stakeholders theory, and succession planning, based on the following dimensions: Individual, Organization and Environment. ◆

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ABSTRACT

The succession process at social enterprises in Brazil

This research was based on a study of social enterprises in Brazil, to find out if and how these organizations plan and manage the succession process for their senior positions. The study investigated the subset of the associations dedicated to collectively producing goods and services, because they are formally set up and aimed at speeding up the dynamism of local development. The empirical research consisted of two stages. The first was a survey covering a sample of 378 organizations, to find out which of those had already undergone or were undergoing a succession process. The second interviewed the main manager of 32 organizations, to obtain a description of their succession experience. In this stage, the research aimed to analyze how the Individual, Organization and Environment dimensions interact to configure the succession process, identifying which factors of each of these dimensions can facilitate or limit this process. The following guiding elements were taken as the analytical basis: Individual dimension – leadership roles, skill and styles; Organization dimension – structure, planning, advisory boards, communication (transparency), control and evaluation; and Environment dimension – influence of the stakeholders (community, suppliers, clients, and business partners) on the succession process. The results indicated that succession in the researched associations is in the construction stage: it adapts to the requirements of current circumstances but is evidently in need of improvement in order for more effective planning and shared management of the process to be achieved.

***Keywords*:** social entrepreneurship, associations, succession.

RESUMEN

El proceso de sucesión en empresas sociales en Brasil

Este trabajo se fundamenta en una investigación realizada en empresas sociales en Brasil, con el objetivo de verificar si y cómo dichas empresas efectúan la planificación y gestión del proceso de sucesión de las posiciones de dirección de esas entidades. Se investigó el subconjunto de las asociaciones dedicadas a la producción colectiva de bienes y servicios, puesto que tienen una organización formalmente constituida y buscan la aceleración de la dinámica del desarrollo local. La investigación empírica fue estructurada en dos etapas, la primera una encuesta con una muestra de 378 empresas, para identificar las que ya habían pasado o estaban pasando por sucesión. En la segunda etapa los principales directivos de 32 empresas fueron entrevistados, y se buscó obtener una narración de las experiencias de sucesión que se produjeron en la trayectoria de la empresa. En esta etapa se analiza cómo interactúan las dimensiones Individuo, Organización, y Ambiente en la configuración del proceso de sucesión, y se identifica en cada una de esas dimensiones cuáles son los factores que pueden facilitar y los que pueden limitar el proceso de sucesión. Para analizar la estructura y las principales características del proceso de sucesión, los siguientes ejes de orientación fueron considerados como base: dimensión Individuo – roles del liderazgo, habilidades de liderazgo y estilos de liderazgo; dimensión Organización – la estructura, planificación, consejos, comunicación (transparencia), control y evaluación; dimensión Ambiente – las influencias de los *stakeholders* (comunidad, proveedores, clientes, socios) en el proceso de sucesión. Los resultados mostraron que el proceso de sucesión en las asociaciones investigadas se encuentra en fase de construcción: se adapta a las exigencias del escenario actual, pero presenta clara necesidad de perfeccionamiento para conducir más eficazmente la planificación y la gestión compartida del proceso.

***Palabras clave*:** emprendedurismo social, asociaciones, sucesión.