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IMPLICATIONS OF AGENCY CONFLICTS, GOVERNANCE PRACTICES AND BUSINESS MODELS FOR THE FARM SUCCESSION PROCESS

Implicações dos Conflitos de Agência, das Práticas de Governança e dos Modelos de Negócios para o Processo de Sucessão Rural

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Abstract
Having several family members involved in a business can make relationships more complex. Agency problems may arise when ownership and management are separate. This study discusses principal-principal agency conflicts, the life cycle of businesses, professionalization, and business models for farm succession, aligning different perspectives within an analytical framework. This theoretical review presents the elements comprising the analytical construct of the proposed succession process. We reclassified and grouped the levels of professionalization within corporate and non-corporate business models. We present our assumptions as insights and contributions for future studies. We recommend validating the construct in farm family business models undergoing or having undergone the succession process to understand the adopted governance mechanisms, family member involvement, principal-principal conflicts, and professionalization levels.

Keywords: Construct; levels of professionalization; farm business; principal-principal.

Resumo
O envolvimento de membros da família em um negócio torna os relacionamentos mais complexos. Conflitos de agência podem surgir quando a propriedade é separada da gestão. Este estudo discute conflitos de agência principal-principal, ciclo de vida, profissionalização e modelos de negócios para sucessão rural, alinhando diferentes perspectivas em um construto de análise. Esta revisão teórica apresenta elementos que compõem o constructo analítico do processo de sucessão. Foram agrupados os níveis de profissionalização nos modelos de negócios corporativos e não corporativos. As premissas foram apresentadas como insights e contribuições para estudos futuros. Como sugestão propõe-se validar o construto em modelos de negócios familiares rurais que estão passando ou passaram pelo processo de sucessão, buscando compreender os mecanismos de governança adotados, o envolvimento dos membros da família, os conflitos principal-principal e os níveis de profissionalização.

Palavras-chave: Constructo, níveis de profissionalização, negócios rurais, principal-principal.

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1. INTRODUCTION

Agency theory addresses problems that arise when an agent prioritizes its own objectives, which can have negative consequences for the principal agent (Mitchell & Meacheam, 2011). This can trigger conflicts of interest and raise moral issues.

Such problems arise from the exercise of power when ownership is separated from management (Álvares et al., 2008; Eisenhardt, 1989). Governance practices aim to minimize agency costs and avoid the expropriation of shareholders' capital by implementing orderly and systematic ways of developing contracts between agents and shareholders (Siqueira & Bialoskorski Neto, 2014).

In relationships between majority and minority shareholders, these conflicts are classified as 'principal–principal' (PP) (Young et al., 2008). Between owners of the same family, they are known as the 'principal–principal family agency problem' (FPP) (Calabrò et al., 2017). This problem can arise between current managers and candidates for succession, as well as between other family members who have rights to, and shares in, the family business (Michel & Kammerlander, 2015).

Succession involves the transfer of management control (Chiswell, 2018). This can involve transferring ownership to a family member (Joosse & Grubbström, 2017), or to multiple successors (Cassidy & McGrath, 2014; Grubbström et al., 2014; Zagata & Sutherland, 2015). Inheritance refers to the legal transfer of assets. Consequently, many patriarchs are faced with the dilemma of whether to be fair to all heirs or to priorities business continuity (Deming et al., 2018; Pitts et al., 2009).

This dilemma also affects farming businesses (Deming et al., 2018; Pitts et al., 2009). Keats and Wiggins (2016) argue that the world is becoming less rural. Changes in the rural demographics of developing countries show that the rural population growth rate remains constant despite the higher birth rate in rural areas compared to urban areas. This is due to migration from rural to urban areas. Such migration, in addition to the rural population decreasing, may affect its composition, especially among working-age people.

Research on farm succession highlights the strong emotional bond that characterises these businesses (Carolan, 2018; Conway et al., 2016), the desire to keep the farm within the family (Cassidy & McGrath, 2014; Cassidy & McGrath, 2015), and the lack of interest among young heirs in remaining on the farm as successors. Factors that can have a positive or negative effect on this decision include gender, education, income, farm location and the number of heirs (Burton & Fischer, 2015; Kerbler, 2012; Leonard et al., 2017; Zagata & Sutherland, 2015).

Having several family members involved in a business makes relationships more complex (Gersick et al., 2017). This means that the life cycle affects family behaviour, particularly when several families are involved in the same business at different stages (Moreno-Pérez & Lobley, 2015).

In rural areas, arrangements involving multiple parties can also lead to organisational complexity within farms, providing a basis for fundamental empirical analysis (Zylbersztajn, 2005). Identifying business models that enable the continuity of farms is important (Moreno-Pérez et al., 2011; Zagata & Sutherland, 2015), particularly those involving different production arrangements and business structures, such as single-family farms, vertical multifamily farms and horizontal multifamily farms (Moreno-Pérez & Lobley, 2015).

As family businesses evolve, the nature of agency conflicts changes, creating a need for different governance mechanisms to resolve conflicts at various stages of the business lifecycle (van Aaken et al., 2017). This highlights the importance of

understanding the characteristics of family businesses to ensure long-term survival and to provide ideal governance mechanisms to solve existing conflicts. In light of the lack of research on farm businesses, this study aims to explore principal-principal agency conflicts, life cycles, professionalization and business models for farm succession, integrating various viewpoints into a single analytical framework. A theoretical review enabled us to develop the proposed construct.

Family businesses that effectively manage their relationships gain access to assets that are unavailable to non-family businesses. They can achieve professionalization through relational and informal mechanisms (Dyer, 2010).

This theoretical review presents the elements that comprise the analytical construct of the proposed succession process. The review began with the articles used to construct the business models proposed by Rech et al. (2021) — see the methods section of the article — and aimed to present a construct for analyzing the succession process by examining principal-principal agency conflicts, the life cycle, professionalization and business models. To this end, we selected and examined relevant studies on business professionalization (Dyer, 2010) and the life cycle (Gersick et al., 2017), considering the business models proposed by Rech et al. (2021). The study also reclassifies levels of professionalization in business models (Rech et al., 2021) based on Dyer (2010) and groups them into corporate and non-corporate categories.

Our construct of the succession process begins with farm business succession, considering the complex psychological, economic and social issues involved, as well as its potential impact on the continuity of agricultural businesses. More structured procedures involving different aspects could lead to a more planned succession process with less impact on businesses and family relationships.

We believe that the proposed structure, which links different perspectives, makes analyses more robust and identifies possible approaches to the theory and practice of succession in family farming businesses. The article is structured as follows: an introduction; a theoretical review; a discussion presenting construct categories, a construct proposal and assumptions; and final remarks.

2. THEORETICAL BACKGROUND

2.1 Agency Theory: Principal-Principal

The presence of multiple agents within a business can exacerbate asymmetries and conflicts of interest (Shapiro, 2005). Agency theory seeks to resolve conflicts that may arise between the principal (who delegates) and the agent (who executes) (Caleman & Zylbersztajn, 2011; Shapiro, 2005). A type I agency problem occurs when there is a separation between ownership and control, i.e. when agents/managers are the main source of inefficiency (Calabrò et al., 2017). This dynamic is known as an ‘agency relationship’, which involves the delegation of authority and decision-making (Jensen & Meckling, 1979). These contracts aim to ensure that the agent acts in a way that is consistent with the principal’s objectives (Mitchell & Meachem, 2011).

A reinterpretation of agency theory discusses principal-principal (PP) conflicts (Calabrò et al., 2017; Michel & Kammerlander, 2015; Young et al., 2008), as well as conflicts between majority and minority shareholders (Young et al., 2008). The latter are known as type II agency problems. When these problems involve owners from the same family, they are known as a type II-bis agency problem, or a principal-principal family conflict (FPP) (Calabrò et al., 2017), involving the current manager, the candidate for succession and other family members with ownership rights over the family business (Michel & Kammerlander, 2015).

Villalonga et al. (2015) refer to this as a 'type IV' agency problem, whereby family members become shareholders or successors through inheritance, sale, gift or other forms of transfer. When shares are transferred, an implicit or explicit contractual bond is formed between the assignee, the assignor and the other family members. As Figure 1 below shows, Young et al. (2008) relate principal-agent conflicts to principal-principal conflicts.

Figure 1 illustrates traditional principal-agent (PA) agency conflicts, with the solid arrow at the top showing this relationship. The dotted arrow at the bottom shows the relationship between agents and controlling shareholders. The agents can be family members or associates who report directly to the controlling shareholders. The conflicts shown by the continuous arrow at the bottom are those experienced between the manager (the principal), who reports to the controllers, and the minority shareholders (also the principal). (Young et al., 2008). Controlling shareholders are also referred to as 'super principals' (Villalonga et al., 2015).

Family businesses with related owners may not be a homogeneous group in terms of business strategies and objectives. While some intend to increase dividends, others are more likely to reinvest. This type of problem, which is faced by almost every family business, varies in intensity depending on the number of owners (Calabrò et al., 2017). The authors concluded that medium-sized groups consisting of 11 or 12 individuals are more likely to mitigate FPP conflicts because the shareholding concentration is high, giving them the right to veto. This, in addition to the existence of a family identity, reduces the effects of FPP conflicts.

According to Calabrò et al. (2017), developing a common identity among family managers may reduce uncertainty regarding investment efficiency. This effect is more pronounced when the family owns the majority of the farms and when ownership and control are not clearly separated (Gao et al., 2017). Principal–principal conflicts mainly arise due to parental altruism (Chrisman et al., 2012; Chua et al., 2003; Schulze et al., 2001; van Aaken et al., 2017) and family opportunism (van Aaken et al., 2017),

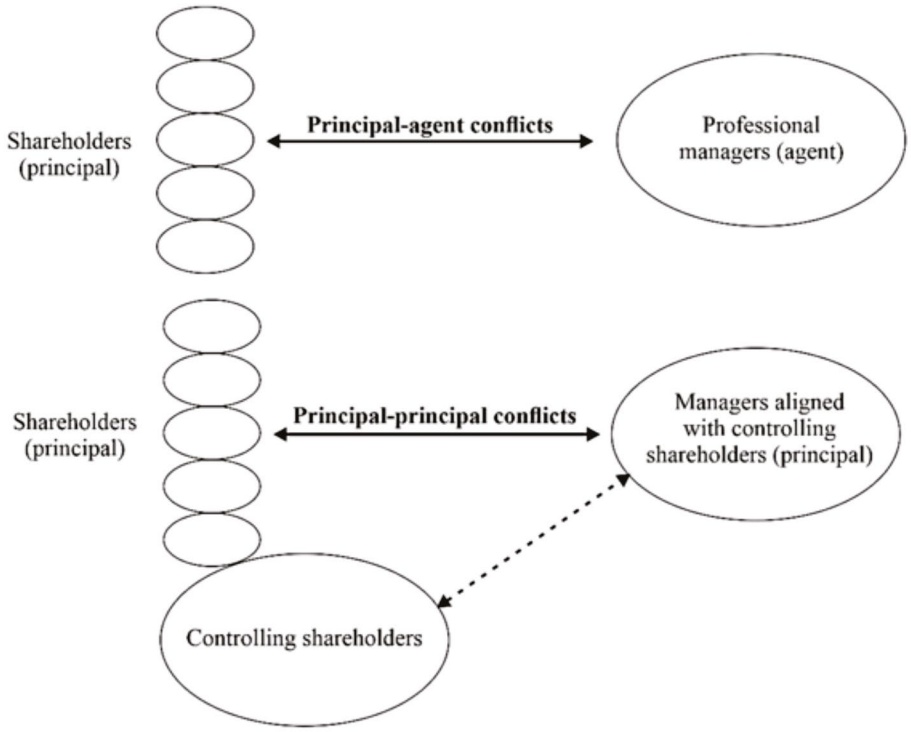

FIGURE 1 – Principal-Agent Versus, Principal-Principal Conflicts
Note. This figure was adapted from the article by Young et al. (2008)

resulting in underperformance of family businesses. Some studies have shown that these businesses may have self-control issues and face moral challenges (Schulze et al., 2001), in addition to relationships being undermined by conflicts as family members have different objectives. This can lead to problems such as nepotism and difficulty disciplining or dismissing family members (Dyer, 2010).

Figure 2, following Young et al. (2008), shows FPP conflicts through the lens of agency theory in a scenario in which family members are involved in the succession process of a farm family business.

Figure 2 shows the dotted arrow representing the relationship between the successor or potential successor and the patriarch, whenever he is involved. The former are family members who report directly to the patriarch or act independently (when the patriarch is no longer involved in management). The conflicts represented by the upper continuous arrow occur between the business controllers (the successor and the patriarch) and other shareholders. The bottom continuous arrow represents conflicts between the controller/principal (the patriarch) and the agent (the potential successor).

2.1.1 Agency theory, levels of professionalization, and succession in family businesses

In family businesses, it is common for boards to be opaque when it comes to sharing important information. Members often do not recognize the need to share information (Young et al., 2008). This agency relationship can lead to conflicts of interest and agency costs, which generally arise from limited rationality and opportunistic behavior (Caleman & Zylbersztajn, 2011; Chua et al., 2003; Shapiro, 2005; Williamson, 2002). Agency theory has the potential to study behavior and performance in family businesses, as well as the implications for the nature of relationships (Chua et al., 2003). Therefore, incentive systems and control mechanisms are fundamental (van Aaken et al., 2017). Financial incentives (such as gratification and bonuses) aim to reward agents for their efforts, while control mechanisms may take the form of boards of directors, audits or codes of ethics (Shapiro, 2005).

Agency theory focuses on control and incentive problems, assuming that actors make choices through organizational arrangements (contracts) based on information asymmetry and/or risk aversion. The degree of risk aversion and opportunity costs involved in entering a contract provides guidance for optimizing choices (Ménard, 2013). Previously, this theory showed that family businesses were more efficient than non-family businesses. When owners employ family members, they do not need to spend large sums of money monitoring managers (Dyer, 2010).

A classic monitoring mechanism is the board of directors. However, the high costs involved may make this unfeasible for family businesses. In such

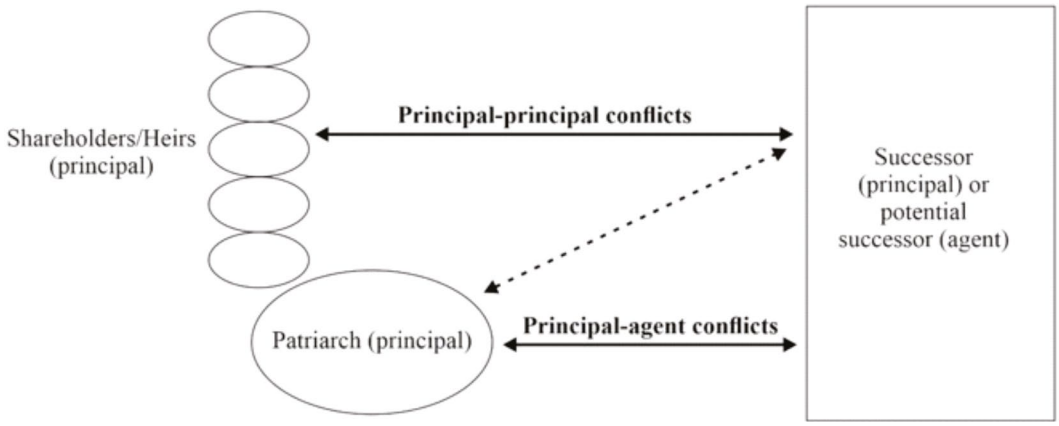

FIGURE 2 – Principal-Principal Family Conflicts in the Succession of a Farm Business

Note. This figure has been adapted to illustrate the conflicts of agency between successors, potential successors, and patriarchs

a framework, this structure can be replaced by family governance through assemblies and councils, which aim to solve problems arising from family opportunism or self-governance involving parental altruism (van Aaken et al., 2017).

Altruism makes parents generous to their children and sustains valuable family bonds. Conversely, it affects patriarchs' perception of their children's performance and creates moral hazard issues (Schulze et al., 2001). Family mission statements, agreements, and partnerships are ways of handling this situation (van Aaken et al., 2017). Strategic planning can align the attitudes of family members, forcing them to act in accordance with the company's mission and values and providing guidance for day-to-day activities (Schulze et al., 2001).

According to Villalonga et al. (2015), a family business can create value by eliminating type I agency problems when there is no clear separation between ownership and management. However, this requires overcoming other issues, such as nepotism. Dyer (2010) explores whether family businesses that manage family ties effectively acquire unique assets unavailable to non-family businesses. The author classifies family businesses into four types according to agency costs, family assets and liabilities.

1) Clan business: shared goals and low agency costs. Family financial resources are used to support the business, which has strong relationships with stakeholders.

2) A professional family business has formal relationships and governance systems, as well as high agency costs. Nepotism and the irregular use of company resources are not experienced.

3) Family businesses run by parents: good family relationships, low agency costs, nepotism, poorly trained and inexperienced family members. Family resources do not support the business.

4) Self-interested family businesses experience nepotism and seek to advance their own interests at the expense of the company and other family members. They have conflicting relationships and high agency costs (Dyer, 2010).

Dyer (2010) highlights that family assets are related to the performance of family businesses, agency costs, and three other types of assets: human, social, and financial capital. When these factors are well-developed, they contribute to high performance and low agency costs due to aligned family goals, high levels of trust, and shared values. Those who fail to develop these assets tend to underperform, incurring high agency costs, experiencing conflict over goals and demonstrating a lack of family competence. Low levels of conflict between family members in a business lead owners to consider succession more than selling the company. However, if there are competent non-family managers, the focus may be on transitioning to professional management (Chen et al., 2016; Chua et al., 2003).

Agency conflicts among family members arise from conflicting understandings of performance, difficulty enforcing contracts and high costs. Having a large number of family members involved in a business can make relationships with non-family managers difficult due to possible disputes over company leadership (Chua et al., 2003).

Decisions regarding future actions may lead to conflicts of interest. Therefore, owners and managers keep the transfer of shares confidential to avoid triggering disputes among family members. However, if the owner makes their intentions clear, information asymmetries and rivalries tend to decrease (Schulze et al., 2001).

Thus, a careful look at relational governance becomes important, as aspects such as cooperation can have a positive effect on the adaptation of contracts and help to avoid conflicts between parties (Poppo & Zenger, 2002). Agents who have closer, continuous relationships, such as with friends, family members, neighbors or colleagues, facilitate monitoring because

they share interests and values, and are more likely to act honestly in familiar situations (Shapiro, 2005).

Relational governance, which is based on trust and the fulfilment of obligations, promises and expectations, occurs through social processes that enable flexibility, solidarity and the exchange of information (Poppo & Zenger, 2002). The legacy of farms (including tangible and intangible assets) is important for continuity, shaping future practices. Additionally, a positive reputation with banks, insurance companies and the community may facilitate the transition for the next generation (Joosse & Grubbström, 2017).

As the moment of succession approaches, it is crucial for the successor to cultivate positive relationships with non-family managers. Those aiming to grow the business and ensure its continuity must begin cultivating relationships early on, be willing to delegate responsibilities, and create appropriate monitoring systems (Chua et al., 2003). Financial incentives paid to family agents are an important control mechanism. It is fundamental to link part of the payment to results that can be monitored, as family members may perform their functions inefficiently and may use wealth for their own business purposes (Schulze et al., 2001).

The process of succession begins with a trigger, which may relate to the health of the older generation or the business itself. It is then necessary to outline the business's future objectives, particularly with regard to management, whether shared by the current owner and their successors or not (Michel & Kammerlander, 2015). The more owners a business has, the greater the probability that some individuals will not participate actively in management, which can lead to an increase in principal-principal agency costs (Chrisman et al., 2012).

The presence of a successor can improve the flow of information and knowledge, which can lead to reduced agency costs. Conversely, if the succession process is too rigid, it may cause conflicts between successors and managers, resulting in resistance to the process (Michel & Kammerlander, 2015).

Table 1 summarizes agency conflicts involving principal-principal relationships within family businesses.

As shown in Table 1, conflicts tend to occur when more family members are involved. The greater the number of individuals involved in the same farming business, the more complex the relationships between the current manager, the candidate for succession and other family members with rights over the business (Moreno-Pérez & Lobley, 2015; Gersick et al., 2017; Michel & Kammerlander, 2015). The life cycle of organizations influences the emergence of these conflicts due to the increased number of individuals involved in the business.

TABLE 1 – Principal-Principal Agency Conflicts

Agency problem	Costs	Dilemmas	Control mechanism
Parental altruism	Nepotism/Difficulty in disciplining family members	Family need x business need Ability/skill x family relationship	- Mission statement - Agreements and partnerships - Strategic planning
Family opportunism	Conflicts between family members	Trust/communication x conflicts Individual x collective interests	- Family advice - Family assembly - Compensation systems
	Maintaining ownership control within the family	Individual advantages x company growth Relationship with stakeholders	

Note. The table was compiled based on a review of articles from Dyer, 2010; van Aaken et al., 2017; Schulze et al., 2001; Young et al., 2008; Calabrò et al., 2017; Chrisman et al., 2012; Chua et al., 2003; Moreno-Pérez & Lobley, 2015; Gersick et al., 2017; Michel & Kammerlander, 2015

2.2 Life cycle in organizations and farm family business models

The life cycle affects behaviors, which become more complex when several families are involved in the farming process at different stages (Moreno-Pérez & Lobley, 2015). Strategies are defined according to the position of the main operator within the lifecycle (Pinter & Kirner, 2014). Age is an important factor in estate planning, as decisions about land are made throughout one's life, including before retirement, and when considering alternatives such as a will (Markowski-Lindsay et al., 2017).

Family businesses develop along three dimensions: the ownership axis, the family axis, and the company axis. Each has an individual developmental process with independent rhythms and characteristics. In a rural environment, when a second-generation family member joins the business, they can provide subsidies to develop it with good future prospects (de Oliveira & Vieira Filho, 2018).

The property axis involves the organizational structure of the farm, which is the focus of this study. This indicates that the business is transitioning from the stage of being controlled by a single owner to the stage of being managed by siblings in a partnership (Gersick et al., 2017). The authors present the three main stages that a family business undergoes, including the sibling partnership stage, where wills and estate plans are commonly used to decide the organization's future. At this stage, '[...] control is shared by two or more brothers and sisters, who may or may not be company employees [...]' (Gersick et al., 2017, p. 39). Four key challenges must be assessed: developing a process for sharing control between owners; defining the role of non-employee partners; retaining capital; and controlling the factional orientation of the family branches.

The most important aspects for developing succession processes are good communication, identifying the right moment for succession and exploring the possibility of undertaking other professional activities alongside the family business (de Oliveira & Vieira Filho, 2018). These activities may include non-agricultural work (Grubbström et al., 2014; Ollenburg & Buckley, 2011; Oostindie, 2018; Süss-Reyes & Fuetsch, 2016), or the introduction of new enterprises on the farm (Inwood & Sharp, 2012).

Succession is made difficult by conflicts involving relationships and capital within the family. Therefore, it is necessary to balance business objectives with family interests and traditions. Young people need support and involvement in the business, while the knowledge and values of older people need to be respected. The greater the number of stakeholders, the greater the likelihood of conflict (Grubbström et al., 2014).

In rural areas, distancing older generations is a barrier, primarily due to their attachment to the land (Conway et al., 2016). Respect, support and legacy are identified as necessary variables for decision-making regarding future agricultural practices on farms (Joosse & Grubbström, 2017). Removing ancestors can be painful and may result in the loss of a position as head of the family, particularly for males (Conway et al., 2016). The absence of successors (Inwood & Sharp, 2012; Conway et al., 2016; Nuthall & Old, 2016) or retirement may mark the end of a cycle. These farms must adapt to start a new phase. If there are family successors, the business must expand to support a greater number of members (Inwood & Sharp, 2012). In their absence, farms must prepare for non-family continuity by including or transferring management to newcomers (Chiswell, 2014; Milone & Ventura, 2019).

Different models for business continuity can be used in this new cycle and in the face of succession, as presented by Rech et al. (2021). There are two main approaches: family succession and non-family models. The former ranges from informal to formal, while the latter involves formal legal and contractual arrangements. According to the authors, farm continuity can follow alternative paths. Taking on and

stepping away from the agricultural business can be complementary approaches.

3. DISCUSSION

This analysis considers business models, life cycles, principal-principal conflicts and levels of professionalization. The business models to be analyzed are those of family businesses in the process of succession, during the planning, preparation or execution phases. Table 2 lists the proposed categories, which are based on a review of the literature.

When considering the third and fourth columns of Table 2, the analysis should take into account the categories of agency theory (Figure 2), paying particular attention to principal-principal agency conflicts and the level of professionalization in family businesses (Dyer, 2010; Table 3).

This classification covers family businesses, which are defined as clan, professional, mother-and-father, or self-interested businesses, depending on their governance practices (whether formal or informal), agency costs (whether low or high), how family relationships are framed (in terms of objectives), how family members are involved in the business (whether they are well prepared or not), and how business resources are used for the benefit of the family.

While professionalization levels may affect the choice of business model, this model may not influence professionalization levels. Based on this, and a re-reading of Dyer's (2010) proposals, we have developed a new classification for farm family businesses going through, or having gone through, a succession process. This takes into account conflicts and levels of professionalization (see Figure 3).

TABLE 2 – *Proposed Categories*

Farm family business models (Rech et al. 2021)	Life cycle - property axis challenge (Gersick et al. 2017)	Principal-principal conflict (Table 1)	Levels of professionalization (Dyer, 2010)
Family			
Vertical partnership (parents-descendants) Horizontal partnership (descendants) Division of assets (partnerships or contracts) Legal person Family holding Joint farming venture	**Partnership between brothers** 1. Develop a process for sharing control between owners Define the role of non-employee partners Retain capital Control the orientation of factions of family branches	Parental altruism Family opportunism	Clan business Professional family business Mother & father family business Self-interested family business

Note. The categories were proposed based on articles by Rech et al. (2021), Gersick et al. (2017) and Dyer (2010), as well as Table 1 presented in this article

TABLE 3 – Classification According to Agency Conflicts and Level of Professionalization

Conflict/Company	Clan	Professional	Mother & Father	Self-interested
Governance control and incentive system	Informal	Formal	Informal	Informal/Difficult to control
Agency costs	Low	High	Low	High
Nepotism	Existing	None	Existing	Existing
Family relationships	Similar goals	Not specified	Similar goals	Conflicting (various goals)
Family members	Trained and motivated	Trained and experienced	Poorly trained and inexperienced	Seek individual advantages
Company resources	Support the family and vice-versa	Do not make irregular use	Support the family and vice-versa	Seek individual interests

Note. This table was created to illustrate the conflicts of interest within each of the professionalization levels proposed by Dyer (2010)

Figure 3 provides a description of businesses based on Dyer's classification. Building on the work of Rech et al. (2021), this study presents a new classification of business models, categorizing them as either corporate or non-corporate within the context of succession.

Figure 4 illustrates the relationship between professionalization and governance, based on the professionalization levels of farm businesses and the models presented in the figure. This contributes to a dynamic analysis of both perspectives.

There are three levels of professionalization within the farming industry. Non-corporate business models involve smaller farms with low economic capacity. They do not support many members and are considered to be clan businesses. These businesses are not legally formalized, and some members may leave the business altogether, waiving their shares so that other family members can benefit from these resources. Farms with slightly higher revenue may opt for a corporate or non-corporate business model. The potential for farms to generate income is attractive. Sometimes heirs do not become professionals, choosing not to qualify and remaining in the rural environment. They eventually become dependent on the income from the family farm business (a symbiotic business). At this level of dependence, conflicts between principals occur most frequently due to the greater number of individuals involved in farm work. In a corporate business, farms reach their economic potential (conversion point, Figure 4). Because these farms have the potential and capital to become professionalized, family members tend to seek independent careers. This ensures that the farm is valued and cared for, becoming a valuable asset with sentimental value that reflects long-term financial security, especially for descendants of the third generation.

4. CONSTRUCT PROPOSAL AND FINAL REMARKS

Based on the categories of business models, life cycle, principal-principal conflict and reclassification of levels of professionalization, we propose the following analysis construct of the succession process.

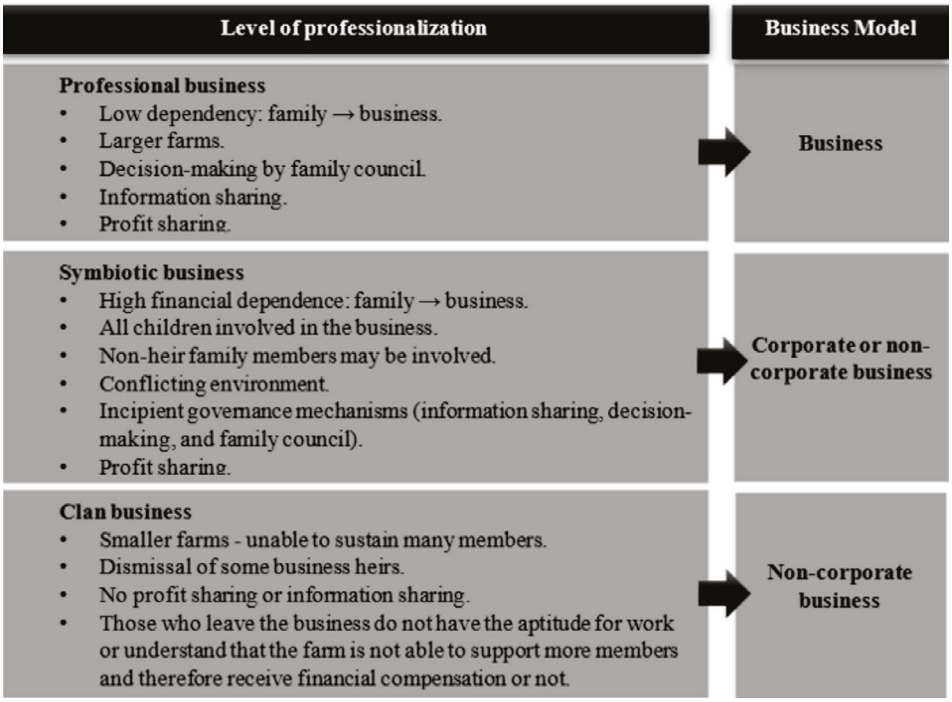

FIGURE 3 – *Levels of professionalization of farm businesses and models*

Note. The proposed classification levels are based on those by Dyer (2010) and Rech et al. (2021)

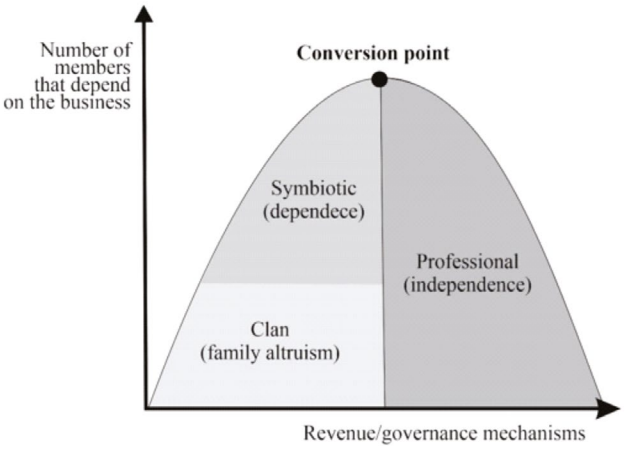

FIGURE 4 – *Professionalization and Governance: an Interactive Analysis*

Note. The interaction between professionalization and the governance of farm businesses

Succession refers to the transfer of a business's managerial control. When it occurs within the family, the heirs are responsible for management and property, which can give rise to conflicts between siblings. Such relationships can lead to conflicts and encourage the development of business models that seek the most effective structures to address these issues. Conversely, if a model does not suit family dynamics, it may lead to misunderstandings. However, conflicts can also stimulate levels of professionalization, as lower conflict levels and greater trust make the business more professional, reducing conflict and leading to more equitable management.

The choice of business model is affected by professionalization levels because a higher incidence of conflicts leads to more formalized models with governance processes, consultancy, performance evaluation and monitoring of principals. Conversely, the business model does not affect professionalization levels, as even corporate businesses may not comply with governance processes or transparency requirements.

Based on the presented construct (Figure 5) and the levels of professionalization of farm family businesses, the following assumptions are presented in this study:

Assumption 1: The life cycle affects succession processes; the greater the number of involved members, the greater the likelihood of conflict, which leads to the adoption of business models that are more conducive to good business performance.

Assumption 2: The level of professionalization of farm family businesses influences the occurrence of principal–principal agency conflicts, and the occurrence of conflicts influences the professionalization of the business.

- Assumption 3: Professionalization levels affect the choice of business model, but the choice of business model does not affect professionalization levels.

Assumption 4: The higher the level of professionalization of the farm, the greater the heirs' interest in the resources generated.

Assumption 5: Using formal governance mechanisms leads to business professionalization.

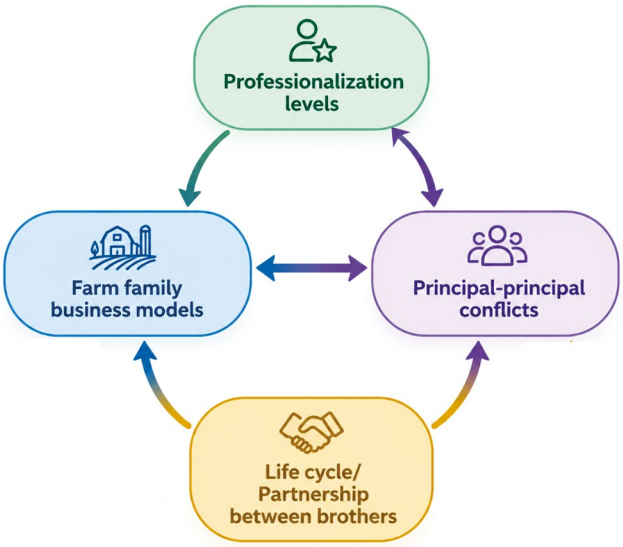

FIGURE 5 – *Succession Process Analysis Construct*

Note. The succession process is analysed using the following structure

When studying farm succession, it is important to consider the specific characteristics of each family business and the emergence of agency conflicts. Each business and each family has specific characteristics that need to be considered when planning succession. Governance mechanisms can be adapted; for example, a board of directors can be replaced by a family council, and parental altruism can be circumvented through mission statements and partnership agreements.

As these businesses operate informally and lack transparency, relational governance is essential for mitigating conflicts. The more individuals involved in the business, the more complex the relationships become. Family opportunism may arise when control mechanisms and incentives are poorly defined, and when there is insufficient dialogue between family members. The size of the farm and its ability to support those involved may also be an indicator of the emergence of conflict.

In this study, we identified governance mechanisms and their ability to mitigate conflict, as well as aspects involving the separation of management and ownership. We recommend that future research applies the proposed analytical framework to validate the presented assumptions.

This can be achieved by evaluating farm family business models that are undergoing or have undergone a succession process. This will help us to understand which governance mechanisms have been adopted, how family members are involved, how principal-principal conflicts arise, and how professionalization is achieved. This will help us to understand whether the life cycle affects succession processes, and whether the involvement of more family members increases the probability of conflicts leading to business models that are more effective for good business performance (Assumption 1). The levels of professionalization of businesses should be evaluated in terms of the preparation of family members for management, their education and their experience. The relationship between principal-principal agency conflicts and professionalization should also be highlighted. (Assumption 2). Finally, evaluate the relationship between levels of professionalization and business models, considering the latter as an influencing factor in the choice of model by families (Assumption 3).

Considering the proposed professionalization models, assess whether the level of revenue/ governance or farm size affects the heirs' interest in their share, or the likelihood of more family members being involved in the business, or of formal governance mechanisms being adopted (Assumptions 4 and 5). We also considered whether these interests are related to cultural or gender issues. We suggest classifying farms according to the proposed models to assess their applicability and possible changes.

However, qualitative analysis may limit the scope of the study as it focuses on a specific topic. The models that were compared were chosen based on convenience and their relevance to the objectives of the study, which involve the interplay between professionalization and the governance of farm businesses.

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