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ANTEXT: A STORY OF FAMILY FIRM RESILIENCE

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ABSTRACT

The present case is based on the real story[1] of the Vieira family, and describes their journey with the objective of ensuring the survival of the family textile business. It is presented through Aquiles Jr.'s perspective, heir of the firm, who struggles to save a company that is drowning in debt but whose emotional value and significance justify decisions that go beyond rationality. The main purpose of this case is to illustrate the existence of superior levels of organizational resilience in family firms, highlighting the importance of socioemotional wealth as a key driver for this resilience among several other factors, but also the complexity of the decision-making process in emotionally charged environments and the particular dynamics of a family business. A teaching note was included at the end of the case to support its utilization in a classroom environment. It includes a theoretical background and several suggested questions and answers.

Keywords: *Family Business, Organizational Resilience, Socioemotional Wealth*

[1] This case is based on a real-life situation. All names, dates, locations and exact values have been disguised for confidentiality reasons.

ANTEXT: A STORY OF FAMILY FIRM RESILIENCE

"But I have a gut feeling that I shouldn't do it. And my father's name is at stake. So I will fight, and I will fight until the end!" said Aquiles Jr. to his lawyer just before hanging up the phone. The year was 2004. Things were looking grim for the business where Aquiles Jr. had started his working life beside his father, Aquiles Sr., in 1983. Everyone around him told him the same thing, even his own lawyers, back in Portugal. "You should let it go. It's plain to see. With these numbers, with you always going back and forth, and the competition… Only a fool wouldn't". He knew the financial statements didn't lie: with that amount of debt, his father's company wouldn't last too long. "What does your brother say about this?" asked Marta, Aquiles Jr.'s wife. "I haven't spoken to him, but I don't even think he knows about this. In fact, I don't even think he cares". His brother Jorge had quit the family business a long time ago to pursue his own professional endeavors. Especially since Aquiles Jr. had left the country, little had been heard from Jorge, besides rumors about how well his own company was doing producing terrycloth textiles. "You know Aquiles, with the money we are making here, and with the positive growth prospects… We can finally live our dream life if we stay. Are you sure you want to go back to Portugal? Shouldn't we think this through?". Marta had a point. Aquiles Jr.'s entrepreneurial ventures were paying off and the market in São Tomé and Príncipe was booming. Not only would it be unreasonable to abandon such profitable investments, coming back home to save what apparently couldn't be saved sounded even worse than that. The clock was ticking and something had to be done. The company had been through a lot of changes in the past, but nothing comparable to this had ever happened. "We never owed anything to anyone, and now all of a sudden, this happens… I can't believe it" said Aquiles Jr. "You don't have to do this, nobody is expecting you or even forcing you to do it" his wife replied. "Well, I am. I am forcing myself. I am going to do it no matter what. This one is for my father".

The origin of the business

In April 1974 the Portuguese fascist regime known as Estado Novo collapsed after a military coup, which led to the immediate suspension of all military activity in the African colonies. In one of them, Angola, this originated a fierce battle for power between the three main nationalist movements at the time, and as a consequence thousands of Portuguese families decided to return to Portugal. One of those families was the Vieira family, which eventually settled in Braga, located in the north of Portugal. Aquiles Jr., the elder of the two brothers, still remembers that day. He was only 15 years old at the time. Like many other families in the same situation, the Vieira family left an entire life behind. "We had nothing, so we had to start from scratch" Aquiles Jr. recalls.

Historically, the city of Braga had been known for its prowess in the textile industry. The first factories that gave birth to this secular tradition were built in the end of the 19^{th} century, and when the Vieira family arrived to Braga in the late 70s, the industry still employed most of the city's workforce. Despite a strong presence of the clothing and footwear subsectors, home textile firms accounted for most of the region's entrepreneurial structure and product exports. Eager to start a new prosperous life, the family embraced this opportunity and decided to establish their own business in the industry.

In 1983 Vieira & Oliveira, Lda. was founded by Aquiles "Aquiles Sr." Vieira and his associate Fernando Oliveira in the northern city of Braga. The company operated in the textile sector, focusing on the manufacturing of home textile products (*Appendix 1*). Despite its considerable presence in the northern Portuguese textile market, most of the firm's income originated from cross-border trade with customers from the neighboring country of Spain. Until the late 80s the business ran smoothly, with a steady investment in machinery to keep up with customer demands. During this period, Fernando Oliveira eventually left the business, and Aquiles Sr. became the sole owner and manager of the firm.

By 1990 time the company had around 20 employees, and Aquiles Jr. was one of them. He helped his father by performing tasks related to the daily management of the company. It was not always easy for him. Being the boss's son, he had to do a little bit of everything in the company. He bought raw materials, finished and sold the final products, managed the business and even answered the phone calls from suppliers and customers – it was back breaking work. "People think I was privileged because it was my father's company, but in the end I was the most exploited worker and was paid less than the other ones". He had quit college in 1979 because he couldn't reconcile his professional and student life, and felt he was already too old to be a full-time student living off the pocket money his parents gave him.

A shift in strategy

Meanwhile, especially since Portugal and Spain's accession to the European Economic Community (EEC) in 1986, structural changes related to the free movement of goods, capital, services and people had been progressively affecting the Portuguese traditional trade. This event also triggered a monetary convergence process that led to the appreciation of the escudo, the Portuguese currency at the time, and to a severe loss of competitiveness that was once based on the exchange rate devaluation. Such changes had a negative impact on the home textile market, particularly with respect to the importance of cross-border trade.

Simultaneously, the company started struggling to compete with other firms that controlled the whole supply chain. Indeed, while most of its competitors produced their own fabric, Vieira & Oliveira had to buy it, and only then cut it and embroider it in order to sell it as a finished product. The family wasn't maximizing profits this way, especially considering that the embroidery machines had to stop frequently to change fabrics. Aquiles Jr. knew they had to shift their strategy so that the business could survive in the long-term. "I realized embroidery machines were meant to embroider nonstop – and not in ten-minute intervals so that we could change the fabrics that were being worked on".

An opportunity arose in 1993 when the biggest embroidery business in the region closed after an acquisition by SONAE[2], who was interested in the property but not in the business itself. Aquiles Jr. was quick to recognize the potential of the situation: he hired the sales representatives of the defunct company and absorbed their market share. This allowed Vieira & Oliveira to change its core business: while previously it had been delivering home textiles as a finished product, it then started focusing on embroidery services as a product component.

In 1994 the number of workers in the company ascended to 30, and the firm was experiencing a steady growth. Meanwhile, the younger member of the family, Jorge, had also started working for his father, just like his older brother. Nevertheless, he had specialized on a very specific segment of the home textile industry, terrycloth fabric, which was sold as a finished product. Feeling his area of specialization did not fit with the firm's new business model, he decided to follow his own career path and left Vieira & Oliveira. By this time, Aquiles Jr., which had always followed his father's steps throughout the years, already played a key role as a strategic and operational manager in the firm. "As time went by, I became the backbone of the business".

Moving overseas

In the spring of 1999, Aquiles Jr., who was a heavy smoker, had been experiencing trouble breathing. He was diagnosed with respiratory failure by his doctor, who advised him to move to a drier country so that he could cure his condition and have quality of life. Being 38 years old at the time, he decided he wanted to move to a Portuguese speaking country to avoid

[2] Founded in 1959, SONAE is a Portuguese retailer with around 40,000 employees in more than 60 countries.

language barriers and have a smooth integration process. By the end of the year, Aquiles Jr. had moved to São Tomé and Príncipe, ceasing his functions at Vieira & Oliveira. He did not know when he was coming back – nor if he was ever coming back. “It was very hard for my father because he had lost a key element in the business. But I knew the company would stay in good hands”.

Upon his arrival, Aquiles Jr. noticed the São Toméan population had to import almost everything they consumed. With his entrepreneurial eye he soon began making the most of this new adventure. He bought part of a local wholesale distribution business that was experiencing financial problems at the time. Unlike other fast-moving consumer goods, he realized coffee imports were being heavily taxed so he decided to build the first coffee roasting fabric in the island – the only one until today. He then sold the brand and endeavored in the real estate business with a local partner, which was an even bigger success. “I made more money there in a single year than in 20 years in Portugal.”

Two years after his son had gone overseas, Aquiles Sr., who had been managing the textile family firm back in Portugal, had a stroke and became unable to work. Without his son there to take the wheel of the business, he hired a nonfamily manager to do it for him and eventually retired. Still in São Tomé and Príncipe, Aquiles Jr. was the last remaining link with the company but struggled to keep up-to-date with Vieira & Oliveira’s state of affairs. “I kept coming back every 2 or 3 months, but when you’re away it’s very hard to keep in touch”.

The downfall

In 2004, the economic downturn in the textile industry and an imprudent management by the nonfamily manager had led to an accumulation of liabilities that seriously endangered Vieira & Oliveira’s financial health. By the end of the year, the total debt of the family firm had reached 2 million euros. This problem had been aggravated by considerable exchange-rate losses concerning an American order, in the aftermath of a dollar devaluation of 20%. At the time, the company's business turnover had drastically decreased to 400,000 euros. Aquiles Jr. was caught by surprise: "They handed me the sheet, and I was staggered. I had been away for a while but I wasn't expecting this at all. What am I going to do now?"

Aquiles Sr. was also unaware of the situation. Since his health problem, he had completely retired from his functions, even though he still had full ownership of the firm. "My father didn't even realize what had happened - he thought everything was doing fine just like back in the day". The first thing Aquiles Jr. did was to contact his lawyers. All of them told him the exact same thing. "The business will go bankrupt sooner or later. There's no way you will be able to pay this. Just let it go". Adding to this, Aquiles Jr. was in a very delicate situation since he had ongoing investments in São Tomé and Príncipe that tied him to the country. The distance and the unavailability made him feel powerless. Trying to save his father's business in Portugal would certainly mean losing a lot of potential money in São Tomé and Príncipe, and maybe even ending up losing everything. "There weren't many possibilities to consider. The situation will only worsen, and the end will come quickly because I won't be there to see it. It was either going for it or letting it go, but a decision had to be made".

The decision

He discussed the situation with his wife. "We have to do this together. I can't do this without you". The couple agreed that Aquiles Jr. had to stay in São Tomé and Príncipe, to secure his business. Even though Marta was a civil engineer and had no experience in managing businesses, Aquiles Jr. had a plan in his mind. "You will go and deal with Vieira & Oliveira's day-to-day management, just do your best to keep the situation under control – cut costs, increase sales. About the manager my father hired… I already called him. He's leaving as soon as you get there". She was reluctant at first. "Do you realize the risks behind this? What about the chances of this turning out badly? Use your rationality". Nevertheless, Aquiles Jr. did not give up and eventually convinced her. "We need to buy time - having people's trust is the key success factor". The couple sat down with the creditors and reached an agreement. Aquiles Jr. was determined to pay back every cent the company owed. There was only one problem: the company wasn't generating enough money to honor their financial commitments.

The solution

"I had to inject cash into the business, but I couldn't do it because I wasn't a shareholder. My father was the only one, but he was old and sick – I didn't want him to undergo any of this". Aquiles Jr.'s years abroad had been successful in a sense that he managed to accumulate considerable savings. "I had some personal money, so I came up with an idea". In 2006 he created ANTEXT, SA. He then proceeded to use this new public limited company, whose stocks belonged mostly to his wife, to inject capital in Vieira & Oliveira, allowing the latter to pay its debts. "For instance, Vieira & Oliveira had a machine whose net value was 20,000 euros. But at the time the company needed 100,000 euros to pay a given debt, so ANTEXT bought it for that price. About five times more". He used all of his personal money to finance his father's firm. Two years later, he had already eliminated 90% of Vieira & Oliveira's liabilities. "I was repaying banks at a 25% rate. Some of the creditor's lawyers even confessed me that they never had much hope of ever collecting their money back – but they did".

By the end of 2007, Aquiles Jr. had decided he wanted to move permanently back to Portugal so he could rejoin his wife, who had already returned in 2005. He proposed selling his half of the real estate company to his São Toméan business partner, but received a negative answer: "Well, I can buy your half. Just lend me the money". They eventually reached an agreement. "I promised him I would create the conditions in the company he needed in order to buy my half of it. If you think about it, it's pretty absurd. But I had to do it". Some months later, the four-year-old real estate firm was publicly listed at 4 million São Toméan dobras[3]. Aquiles Jr. returned to his country in April 2008.

Different name, same old ceiling

In 2008 the Portuguese economy had faced a drastic slump as a consequence of the global financial crisis. The ongoing economic downturn had forced several competitors to declare bankruptcy. Even after subjecting Vieira & Oliveira to a severe cost cutting process and a massive capital injection, Aquiles Jr. knew his father's firm would be suffering the same fate. "When I came home I realized we had too many workers and a very small business turnover". With the aim of dismissing personnel whose function in the company had become redundant throughout the years, he decided to close down the firm, reviving it through ANTEXT. There was a certain irony in this outcome, after all the family principal went through to save Vieira & Oliveira. However, it was a conscious and voluntary decision, with the ultimate goal of protecting the business's interests. "I had owed 2 million euros, but I ended up filing for bankruptcy due to 20,000 euros. Why? I had too many third wheels[4] in here. I had to take them out". It wasn't easy but Aquiles Jr. made sure everything was done correctly and that all workers were paid what they were due. "It was decreed in court that the business wasn't viable. So we reduced the number of employees from 30 to 9. The revenues remained the same. The only difference was that the remaining 9 employees were now working under ANTEXT's name". For Aquiles Jr., that was the end of a journey (*Appendix 2*).

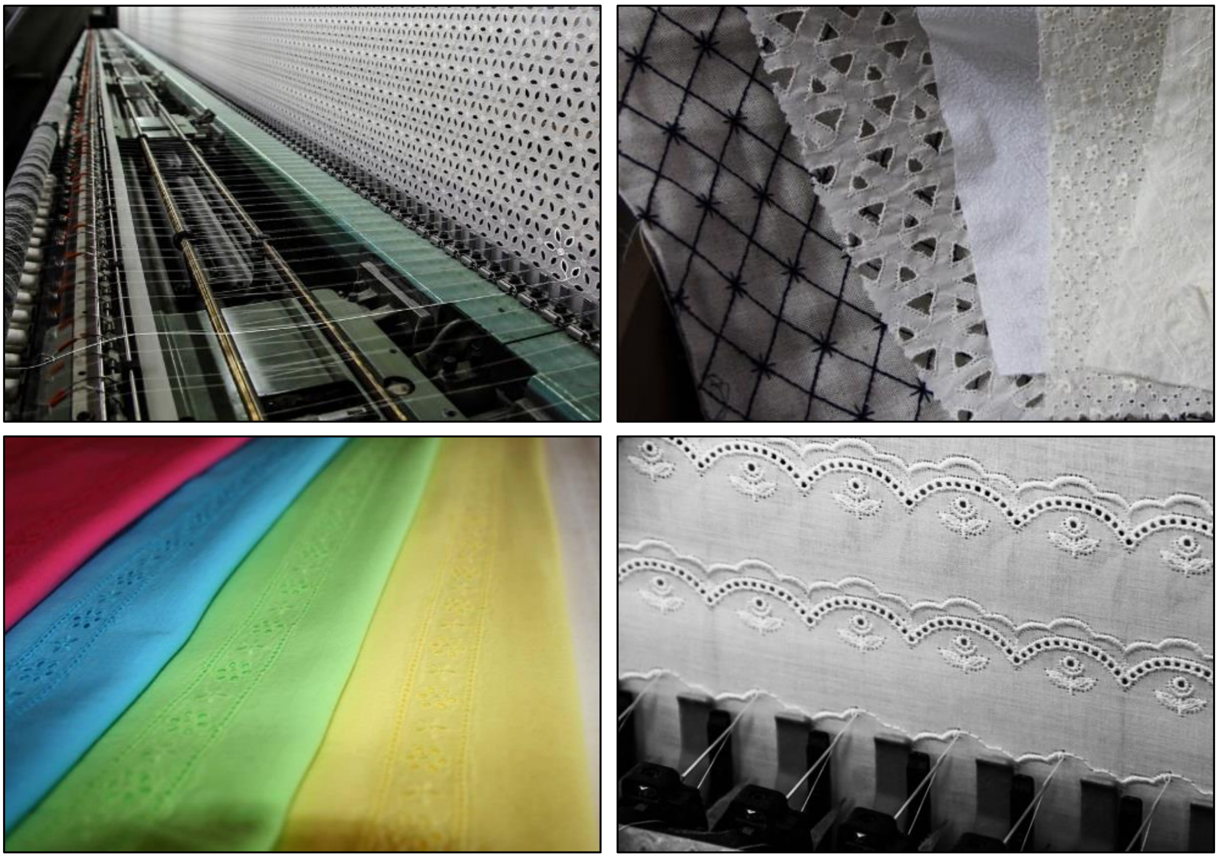
Looking back on everything he had done to save his father's firm, he recognizes the risks and unreasonableness behind his decisions, strongly guided by emotional attachments. "With all the money I invested in Vieira & Oliveira I wouldn't have to work for the rest of my life… Or

[3] The dobra is the currency of São Tomé and Príncipe.
[4] Expression referring to someone who is unwanted or unnecessary, similarly to a third wheel in a vehicle.

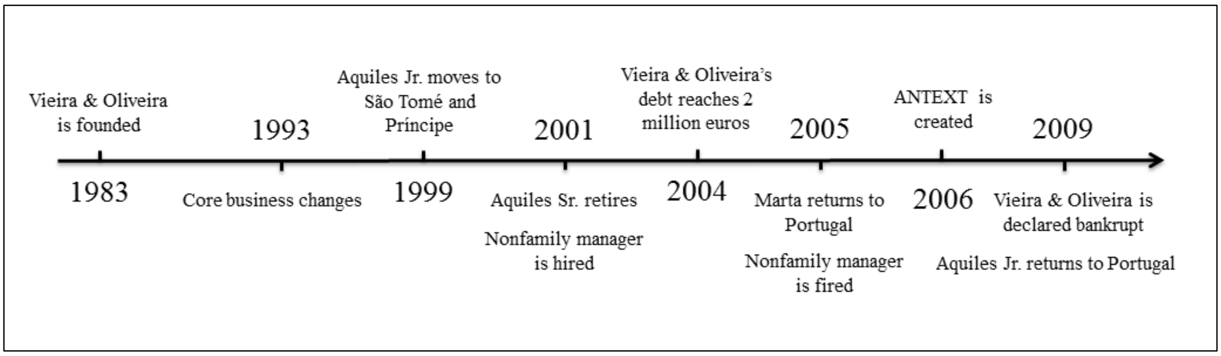
I could have just built a brand new debtless enterprise, with only state-of-the-art technology". However, something else prevailed. "In 1999 I'd swear I would never come back to the textile industry but I did it, 10 years later. I stopped doing what I loved the most due to force majeure[5]. I did it because I loved my father so much. Because I knew what this business meant to him". Throughout this experience, the owner-CEO learned valuable lessons that, according to him, aren't taught in most academic books. "Managing during economic upturns is easy. The hard part is doing it during times of crisis. That's when you see the true value of money, focusing on reality and not on facility. You will value 100 euros the same way you once valued 100,000 euros". Even though luck played its role, Aquiles Jr. stressed some attributes that were critical for his success. "I bought a lot of problems, and today we're here because everything went well. The key is being patient and persistent, never giving up". He also took the time to remember some of his father's teachings that helped him along the way, namely being frugal and maintaining a conservative approach to capital expenditures. "Don't look at the walls because they won't give you anything. Focus on people instead" were words he often heard while growing up. He then added: "I could have built a company that looked like a bank but all my friends that did so, went bankrupt. What matters is what's inside, not what's outside". Finally, when questioned about the firm's future, he recalled a piece of conventional wisdom: "You know what they say about family businesses? The first generation creates, the second one develops, and the third one destroys. I've seen it happen too many times". Nevertheless, the family principal does not have any children and is not worried about what the future might bring. "If I had to sell this company tomorrow for a fair price, I'd do it without a problem. The only thing that is sacred to me is my family. That's what it's all about."

[5] Meaning a superior or overwhelming power whose effect cannot be reasonably anticipated or controlled.

APPENDIX



Appendix 1 – Examples of home textile products



Appendix 2 – Timeline of events

TEACHING NOTE

Overview

The present case is based on the real story of the Vieira family, and describes their journey with the objective of ensuring the survival of the family textile business. It is presented through Aquiles Jr.'s perspective, heir of the firm, who struggles to save a company that is drowning in debt but whose emotional value and significance justify decisions that go beyond rationality. The main purpose of this case is to illustrate the existence of superior levels of organizational resilience in family firms, highlighting the importance of socioemotional wealth as a key driver for this resilience among several other factors, but also the complexity of the decision-making process in emotionally charged environments and the particular dynamics of a family business.

Target Audience

The case was designed for use in Family Business courses at an undergraduate or graduate level. The case itself does not present a very high level of complexity, depending on the breadth and depth ascribed to the study of the inherent theoretical concepts. However, in order to take full advantage of the discussion, students should have familiarity with the concepts of organizational resilience, socioemotional wealth, succession planning and good knowledge of the specific behaviors, characteristics and dynamics of family firms.

Learning Objectives

After solving the case, students should be able to:

- Describe the particular characteristics, behaviors and dynamics of family firms;
- Identify the main drivers behind the existence of superior levels of organizational resilience in family businesses;

- Understand the importance of socioemotional wealth as a frame of reference for decision-making in family firms;
- Conclude that having a well-developed succession plan is a critical step for family business's long-term survival.

Theoretical Background

Family-owned businesses are one of the oldest and most common forms of business entities in the world and can be found in practically every economy, independently of the corporate sector or historical period.

Despite their contribution to modern economies and societies, academic interest in this peculiar form of business only started to gain intensity in the last quarter of the 20th century, when authors such as J. L. Ward moved beyond common sense and consultancy reports to include empirical findings based on database analysis in the family business literature (Hoy 2012).

In recent years, research on this topic proliferated, with most of the contributions aiming at solving classic family business challenges such as effective governance, professionalization of managerial positions, the passing of a generation to another, and the delicate relationship between the management, ownership and family spheres.

However, few were the authors that tackled the key characteristic that led family firms to survive and thrive throughout generations: their inherent resilience. Indeed, while 50 years ago experts believed family firms would be condemned by the competition of professionally-run public firms and their greater capability to raise capital and attract top talent (The Economist 2014), they seem to have stood the test of time.

Nowadays, their importance is unquestionable: estimates suggest that their share of global GDP ranges between 70 and 90 percent, representing 40 percent of the major listed companies in Europe and a third of the Fortune Global 500 companies. And with the growth of emerging markets, this trend is likely to continue and gain even more significance in the future (McKinsey & Company 2014).

Given its complexity, defining what a family business is might not be so straightforward. Indeed, in Europe alone, more than 90 different definitions can be identified (Mandl 2008). In generic terms, family firms can be viewed as firms "in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time" (Miller, et al. 2007). Several other characteristics differentiate these firms, such as their important contribution to the employment and income of the family in question and even intergenerational considerations.

While commonly associated with Small and Medium-Sized Enterprises (SMEs), family businesses run in all legal forms, including listed stock market enterprises (Mandl 2008). In this study we will consider a family firm to be a firm that is owned and controlled by a specific family, and where family members are involved in the firm's management and decision-making processes.

Regarding the concept of organizational resilience, literature defines it as the "ability of organizations to avoid, absorb, respond to and recover from situations that could threaten its existence" (Lengnick-Hall and Beck 2005) or even the "ability of a firm to persist in the face of substantial changes in the business and economic environment and/or the ability to withstand disruptions and catastrophic events" (Sheffi and Rice 2005).

In the context of a fast-paced and ever-changing economic environment, where increased global competition, customer expectations, complex supply chains, shorter product life cycles, natural disasters and catastrophic incidents pave the way for disruptions, it becomes paramount to examine the ability of family and nonfamily firms to sustain long-term resilience capabilities (Acquaah, Amoako-Gyampah and Jayaram 2011).

Even though resilience is important for any organization, it is especially critical for family firms since many family principals intend to pass the ownership and management of the firm to the next generation of family members (Steier 2005).

Moreover, as evidence accumulates indicating that the characteristics and behaviors of family businesses differ from those of their nonfamily peers, it becomes interesting to study how these characteristics present them with special challenges and opportunities, and how they respond under these circumstances.

Hopefully, this will provide us with valuable insights so we can better understand the particularity and diversity of this organizational form, and above all why have family firms existed for thousands of years and continue to dominate economies around the world (La Porta, Lopez-de-Silane and Shleifer 1999), or in other words, why are they so resilient.

Suggested Questions

Question 1 – *Consider Aquiles Jr.'s decision to save the family firm and explain it using the Socioemotional Wealth paradigm.*

The Socioemotional Wealth (SEW) model suggests that family firms are typically motivated by, and committed to, the preservation of their SEW, referring to nonfinancial aspects or "affective endowments" of family owners. Research (2012) by Berrone, Cruz and Gomes-Mejia indicates that gains or losses in SEW represent the pivotal frame of reference that family firms use to make decisions. Students should start by mentioning the emotional attachment that Aquiles Jr. created with Vieira & Oliveira, a firm that was founded by his father and where the protagonist started his working life. This endowment was reinforced by the fact that the company was established upon the family's arrival to Portugal, not only representing their sole source of income but also their settling and adaptation process to a new country and a new life. Throughout the years, the family principal's identity became deeply and inextricably tied to the family firm, something that became evident when Aquiles Jr. revealed he felt morally obligated to intervene in the situation. Therefore, when the protagonist took action to save the company, he was triggered by the ongoing and potential future losses in SEW the family firm was facing.

Even though the loss aversion of family firms with respect to SEW generally leads to lower risk taking, such is not always the case. The authors explain that, when the endowment is threatened, the family is willing to make decisions that are not driven by an economic logic. Indeed, when issues are framed negatively in terms of SEW losses, family principals tend to choose risky economic actions that preserve SEW (Gomez-Mejia, Haynes, et al. 2007) and that cannot be explained by applying an economic reference point or a risk-averse financial logic (Zellweger, et al. 2012). Students should explain that this was the case with Aquiles Jr., who invested all his personal money in a deeply indebted firm, a decision that seems irrational under a merely economic point of view.

Finally, students can conclude by stating that SEW is the single most important feature of a family firm's essence that separates it from other organizational forms. While Vieira & Oliveira had become an integral part of Aquiles Jr.'s life, for nonfamily stakeholders the relationship with the firm was more distant, transitory, individualistic and utilitarian. This explains why most stakeholders around the family principal immediately advised him to let the company go bankrupt without considering the emotional loss it would imply.

Question 2 – *What is your assessment of the intensity of Socioemotional Wealth in Vieira & Oliveira's case?*

To answer these questions, students should keep in mind the characteristics of the family firm, proceeding to comment on whether such characteristics are related to higher or lower levels of family attachment to the organization, according to the Socioemotional Wealth (SEW) literature. Additionally, students should mention any impact these characteristics might have on strategic conformity to SEW objectives.

Several studies suggest that the family's attachment to the organization is higher when the firm is owned and managed by the founding family (Chua, Chrisman and Sharma 1999, Mishra and Mcconaughy 1999, Schulze, Lubatkin and Dino 2003), and that control and influence, sense of dynasty, and emotional attachment have a stronger weight in first generations, given these companies' founder-centric orientation (Gomez-Mejia, Larraza-Kintana and Makri 2003). Additionally, SEW will be more salient when the CEO belongs to the family (P. Berrone, C. Cruz and L. R. Gomez-Mejia, et al. 2010). Students should mention that historically, Vieira & Oliveira had been fully owned and managed by the founding family, with exception of the time interval between Aquiles Sr.'s retirement in 2001 and Marta's return to Portugal in 2005, where a nonfamily member was hired to perform management functions. Apart from that, the firm had always been centered on Aquiles Sr., its founder and CEO. Before his departure, his son Aquiles Jr. had been experiencing growing responsibility in terms of business strategy and direction, possibly revealing the family's intentions of establishing a dynastic succession. Especially for the founding family, the firm is not just an asset that may be easily sold, since the firm symbolizes the family's heritage and tradition (Casson 2011, Tagiuri e Davis 1992) and usually carries the family's name, which is also the case with Vieira & Oliveira.

Finally, a higher ownership concentration in family hands means a greater influence over the firm's strategic decisions (Anderson and Reeb 2003, Miller, Le Breton-Miller e Lester 2012), which reinforces the control dimension of SEW (Gomez-Mejia, Haynes, et al. 2007), personal financial dependence, and the level of personal attachment, identification, and emotional bonds between family members and the firm (French and Rosenstein 1984).

Given Vieira & Oliveira's characteristics, students should conclude that a strong emotional attachment with the firm and a high strategic conformity to SEW objectives is expected to occur.

Question 3 – *The case focuses on a story of family firm resilience. Besides the presence of Socioemotional Wealth, what other elements contributed towards this phenomenon?*

Throughout the case, students can identify several key characteristics that positively contributed towards Vieira & Oliveira's endurance and long-term success.

The first one is represented by the firm's shift in strategy in 1993, which reveals an agile and flexible decision-making ability (PwC 2012). Indeed, the company was quick to recognize a business opportunity that allowed it to change its core business in reaction to a market downturn and an increase in industry rivalry. Theory regarding the concept of organizational resilience suggests that a resilient firm can take situation-specific, robust and transformative actions when confronted with unexpected and powerful events (Lengnick-Hall and Beck 2009).

The presence of an entrepreneurial mindset also represented a source of competitive advantage for the firm (PwC 2012). This characteristic could be observed on several occasions throughout the firm's history. First of all, Vieira & Oliveira was created as a result of an entrepreneurial venture that took advantage of the prosperous home textile industry present in the city of Braga. Secondly, Aquiles Jr.'s entrepreneurial abilities proved useful in his overseas adventures, through his successful investments in local businesses. Lastly, the solution implemented by the family principal to save his father's business, through the creation of a new company, also confirmed the existence of an enterprising mindset.

Another key element is the existence of a strong culture and time-honored values (PwC 2012). This is reflected in a more personal approach to business, based on trust and altruism, qualities that contribute towards a firm's success (Fukuyama 1995, Chami 1997, Van den Berghe and Carchon 2003). This was paramount when Aquiles Jr. decided to go through with his decision to save the company. Reaching an agreement with the creditors was mostly possible due to the trust the stakeholders had in the family firm.

Additionally, frugality and a conservative approach to capital expenditures were essential for the firm's survival, especially during economic downturns (Bloch, Kachaner and Stalk 2012). On his mission to save Vieira & Oliveira, Aquiles Jr. focused on reducing the firm's operating costs, being very parsimonious and austere when spending money. The family principal explained that this leaner cost structure became evident just by entering the firm's headquarters, which contrasted with the lavish facilities that many other companies who later went bankrupt had.

Even though they are not explicit in the case, students can identify several other characteristics that are inherent to family firms and widely known to positively contribute towards their financial performance and success.

One common explanation for family business resilience is their long-term orientation and broader perspective, generally motivated by transgenerational intentions (Le Breton–Miller and Miller 2006). Most of these firms are immune to the pressures and constraints their listed competitors face in terms of quarterly reporting and need for quick returns (PwC 2012). Other factors such as longer CEO tenures, the presence of patient capital and noneconomic goals also contribute towards this logic (Chrisman, Chua and Steier 2011). Thus, family shareholders generally have longer prospects and a long-term approach to decision-making (Harvey 1999).

Nevertheless, Le Breton-Miller and Miller (2011) deepen this topic and explain that a firm's success is rather owed to their multitemporality. This refers to balancing short, medium and long-term prospects instead of focusing only on a specific timeframe. According to the authors, the high financial, emotional and reputational stakes faced by family principals are the reason why multitemporality is more commonly found in family firms.

Another explanation is based on agency theory. Several theorists state that family businesses perform better than their nonfamily peers because of their reduced agency costs. Indeed, family firms minimize separation between ownership and management and at the same time maximize the alignment of interests between these two parties (Amann and Jaussaud 2012), allowing for less control over managers (Fama and Jensen 1983).

Similarly to the socioemotional wealth concept, stewardship theory states that family members act as stewards due to their strong identification with the firm (Davis, Schoorman and Donaldson 1997). This promotes the company's longevity through the creation of long-lasting benefits of family members, strong connections with customers and finally by nurturing, motivating, training and transmitting a set of constructive values to the workforce (Le Breton-Miller and Miller 2009).

Other explanations rely on arranged marriage as a management and succession strategy, knowledge structures and innovation, social capital and social exchange and also on family principal's ability to act as efficient monitors (Chrisman, Chua and Steier 2011).

Students are welcome to complement this answer with other theories that defend the idea of a superior performance of family businesses, preferably linking them to Vieira & Oliveira's case of organizational resilience.

Question 4 – *What is your opinion on Vieira & Oliveira's succession planning? Do you think the family principal has learned any valuable lesson?*

Defined as a "lifelong process of planning and management that encompasses a wide range of steps aimed at ensuring the continuity of a business through the generations", in practical terms succession refers to the passing of family business ownership and leadership from one generation to another (Aronoff, McClure and Ward 2010).

For family firms, succession planning is one of the most critical challenges given its relevance as a determinant of business failure or success. Indeed, with only 30% of family businesses surviving into the second generation, and 12% into the third (Family Business Institute 2018), it becomes clear that failure to develop and establish a succession plan represents the biggest threat to the survival of a family firm (Aronoff, McClure and Ward 2010).

Students should start by explaining that there is no mention in the case that the family has ever formally planned the succession process. However, attending to the fact that there are only two potential family successors, and that one of them left the family business early on to pursue his own professional path, it becomes evident that Aquiles Jr. would be the natural heir. The case protagonist grew up with the business, had his first professional experience at Vieira & Oliveira, and by 1999 was already assuming a pivotal role as a strategic manager in the family business.

However, when Aquiles Jr. had to leave the country due to health reasons, his father Aquiles Sr., owner-CEO of the family firm at the time, failed to design a course of action or even name an official successor in case something happened that prevented him from assuming management duties. Consequently, when in 2001 Aquiles Sr. had a stroke and was forced to retire, the owner-CEO took the hasty decision of appointing a nonfamily manager to run the family firm, an event that would later have serious consequences for the business.

Students should state that, even though both of his sons were unavailable, Aquiles Sr. should had planned and managed his succession carefully in advance, what he failed to do. Additionally, they should mention that the nonfamily manager in question was not the best choice to assume management duties, and that his hiring was unwise and certainly impulsive, fruit of the lack of a well-defined and developed succession plan.

This lack of planning also concerns the passing of the family firm's ownership and the respective allocation of its ownership structure. Despite Aquiles Jr.'s closer ties with the business, he had ceased his functions in the company due to his physical unavailability and he did not know if he was ever coming back to Portugal or to the textile industry. In addition, there was no reason to fully exclude his brother Jorge as one of the rightful heirs, despite his disinterest in the business and the firm's increasing devaluation since Aquiles Sr.'s retirement.

Generically, business succession planning in terms of ownership and the communication of its decision are essential to avoid conflicts and litigious situations between family members, especially upon the family principal's retirement, death or disability.

In the present case, it was Aquiles Jr. the one who gave continuity to the family business, since his father failed to transfer the firm's ownership to any of his sons. Given the fact that he wasn't a shareholder, he created a new firm for this purpose, avoiding any potential inheritance conflicts. This solution is relatively common in SMEs, where family principals often disregard the importance of business succession planning, both in terms of management and ownership.

Nevertheless, several years later, the same problem remains. Aquiles Jr. has not developed any succession plan for ANTEXT, and the CEO admits that the firm's future is unclear given that he does not have any children. In the long run, if nothing is done, the company's survival might be compromised, unless it is sold to nonfamily shareholders. Students should conclude that the family principal did not learn from his past experiences and his father's mistakes, potentially limiting the company's life and ownership in the hands of the family to the current generation.

Teaching Plan

The case study is comprised of three different parts to be discussed in two separate classes.

Students should read the case prior to the first class (45 min). The instructor starts by introducing the case, namely the protagonist, its family, the company and the main issue at stake (5 min). Then, a debate follows (25 min). Students should be divided in groups and answer the following question: "Imagine you were the protagonist and you had just been informed of the firm's debt. What would you do in this situation? Would you stay in São Tomé and Príncipe or return to Portugal to save the firm?". While some groups would provide arguments defending the position of staying in São Tomé and Príncipe and not intervening in the firm's situation, others would provide arguments defending the opposite alternative. Arguments backed up by theoretical concepts will be valued. This discussion will draw the student's attention to the main dilemma presented by the case. Then, the instructor should present the theoretical background (10 min), to briefly contextualize the students with the basic concepts and definitions. Lastly, students are invited to ask questions and clarify any remaining doubts (5 min).

The second part consists of preparing the answers to the suggested questions (45 min). This part should be done at home, and students can present their answers with bullet points. Students are advised to consult the recommended readings prior to tackling the questions.

The third and last part consists of the discussion of the suggested questions (45 min). For each question (10min), students will present their answers, discuss them with the instructor and receive feedback on what should had been answered. In the end, the instructor should briefly summarize the case, present its main takeaways and tell the class what happened to the firm afterwards (5 min).

Class	*Activity*	*Duration (minutes)*
1	Case introduction	5
	Debate	25
	Theoretical background	10
	Questions	5
Homework	Preparation of questions	45
2	Discussion of question 1	10
	Discussion of question 2	10
	Discussion of question 3	10
	Discussion of question 4	10
	Takeaways and epilogue	5

Recommended Readings

- Berrone et al. (2012) "Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research."
- Luis R. Gomez-Mejia et al. (2011) "The bind that ties: Socioemotional wealth preservation in family firms."
- Bloch et al. (2012) "What you can learn from family business."

EPILOGUE

Today, ANTEXT stands as a testament to resilience and success. Since 2009, the firm has been experiencing steady financial growth under a new business strategy that focuses on creativity, innovation and differentiation, fueled by the same culture and values that once paved the way for its triumphs. In order to cope with a growing customer base and meet the increasingly demanding delivery deadlines, Aquiles Jr. trained his workforce, hired designers, specialized employees and invested in new technology and machinery. In 2010, ANTEXT entered the fashion industry and started manufacturing guipure lace[6] using a water soluble tissue, being the first company to use this innovative technique in Portugal. However, the firm is currently facing a harsh competition from Asian companies, who resort to export strategies based on very low prices. To fight this threat, the owner-CEO has been trying to shift the company's core business, similarly to what he did in 1993 with Vieira & Oliveira. However, now the family principal's intention is to redesign its business model to produce a finished product and not a product component, exactly the opposite of what he did 25 years ago. This will allow ANTEXT to interact directly with end customers without depending on other firms located downstream in the supply chain. At the same time, the firm will be able to define its own distribution and pricing strategy and thus respond fiercely to the Asian competition. According to the family principal, ANTEXT will not enter the price war that China has been declaring on the European markets. The family firm will focus on delivering a sophisticated, premium product and price it accordingly, supplying unexplored niche markets with hidden potential. In the long run, the CEO's vision is simple and clear: "Create the product, build the brand and please the customer. The rest will follow".

[6] A delicate lace consisting of embroidered motifs held together by large connecting stitches.

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