Instituto Superior de Economia e Gestão

UNIVERSIDADE TÉCNICA DE LISBOA

DESDE 1911

MESTRADO

CIÊNCIAS EMPRESARIAIS

TRABALHO FINAL DE MESTRADO

Dissertação

LONGEVITY IN FAMILY FIRMS: JERÓNIMO MARTINS' CASE STUDY

David Mercês de Mello Mourão-Ferreira

JUNHO - 2013

Instituto Superior de Economia e Gestão
UNIVERSIDADE TÉCNICA DE LISBOA
DESDE 1911

MESTRADO EM
CIÊNCIAS EMPRESARIAIS

TRABALHO FINAL DE MESTRADO
DISSERTAÇÃO

LONGEVITY IN FAMILY FIRMS: JERÓNIMO MARTINS' CASE STUDY

David Mercês de Mello Mourão-Ferreira

ORIENTAÇÃO:
Professora Carla Curado (Ph.D)
Professor Pedro Neves (Ph.D)

JUNHO – 2013

Abstract

Many family firms find it difficult to reach their fourth generation; nevertheless, these firms have some features that may help them to achieve success and longevity. This thesis tries to identify some critical issues that often prevent family companies to survive over time and tries to analyse how family company Jerónimo Martins could overcome obstacles and achieved success and longevity through a good management of the interference of the family sphere in the work sphere.
Keywords: Family Business, Business and Familiar Planning, Corporate Governance, Succession, Generation, Longevity.

Resumo

Muitas empresas familiares têm dificuldade em atingir a quarta geração. No entanto, estas empresas têm algumas características que podem ajuda-las a alcançar o sucesso e a longevidade. Esta tese tenta identificar algumas questões críticas que muitas vezes impedem as empresas familiares de sobreviver ao longo do tempo e tenta analisar como a empresa familiar Jerónimo Martins conseguiu ultrapassar obstáculos e alcançar o sucesso e a longevidade através de uma boa gestão da interferência da esfera familiar na esfera do trabalho.
Palavras-chave: Empresas Familiares, Planeamento Empresarial e Familiar, Corporate Governance, Sucessão, Geração, Longevidade.

Contents

List of Figures

List of Tables

Acknowledgements

First of all I would like to thank my thesis' advisors: Professor Carla Curado (PhD) and Professor Pedro Neves (PhD), who since the beginning offered interest and availability to advise me and who gave me a great help throughout.

I would also like to thank very much Maria de Lurdes Modesto and Alexandre Soares dos Santos who spared some of their precious time and allowed me to interview them – their answers proved to be of invaluable help. A special thanks too to Rita Albergaria, who made it possible to interview Alexandre Soares dos Santos.

Finally, I would like to thank my family who supported me and helped me from the beginning.

Introduction

Several studies suggest that family firms find it difficult to reach their fourth generation and, actually, a popular axiom says: "the first generation starts a business. The second generation runs it. And the third generation ruins it." However, other authors underline that these firms have some features, which, together with proper succession planning, good managers and skilled human resources, can drive them to longevity. A good example of this is Jerónimo Martins (JM), a family firm that proudly tells its tale: “We crossed five political systems, the French invasion, two world wars, four revolutions and the Chiado fire.”

This self-presentation was part of an advertisement of JM in 1989; and actually it illustrates quite well their *curriculum vitae.* They are not only a famous Portuguese family firm but one of the biggest Portuguese companies competing with world giant groups in a tough sector in Portugal, Poland and Colombia. It has been in the hands of the dos Santos family for four generations and before it had been controlled by the Martins family for three generations. If the family issue was a handicap for JM to survive during the final Martins years, it is definitely not so now with the dos Santos family.

This case study tries to answer two questions in order to know how this family firm could achieve longevity: (1) How is the interference of the family sphere in the work sphere managed, and (2) How each family leader continues the legacy while adapting to changing times and introducing his own vision. The first question covers some issues that are thought to be vital in family firms, such as: the interaction between family and business; governance; entrepreneurship; succession. The second one regards the importance of each generation, new challenges and the way the company culture is updated. Using a scope of the 221 years of JM, this study will focus on the dos Santos period and use some examples, especially from the last 20 years.

This thesis starts with a review of literature which raises some questions to be analysed afterwards. Then, it introduces Jerónimo Martins and offers some relevant data and indicators. Finally, the questions raised are discussed regarding the Jerónimo Martins case.

1. Family Business

Family businesses are the prevailing form of enterprise in the whole world (Gersick, Davis, McCollom-Hampton and Lansberg, 1997). In 2008, about 70 to 80% of the firms in Portugal were family-owned, thus contributing to more than 60% of the GDP and around 50% of the workforce. The family business concept is, nowadays, often undervalued in Portugal and the family firm is often seen as an “outdated, small and unprofessionally managed firm” (Coimbra, 2008). Abroad, family firms have also been criticised by the literature because of the lack of professional management and ‘destructive nepotism’ (Miller and Le Breton-Miller, 2006; Schulze, Lubatkin and Dino, 2003). Only about one-third of the family firms reach the second generation (Bammens, Voorderckers and Van Gils, 2008), less than 30% survive into the third one (Duffy, 2011) and only a small number of them reach the ‘dynasty stage’ (Jaffe and Lane, 2004).

Although some authors believe these firms are doomed to fail, this is not always true in Portugal where the most important firms of the 20th century are family-owned (Lima, 2003). Recently, the literature has started to give a special attention to some factors that may help family firms to achieve longevity (Carney, 2005). The familial experience leads new generations to incorporate values, rules and practices that will have a fundamental importance in guiding their future life. The company is then seen as a family project, not only an economic one, which should be continued from generation to generation (Lima, 2003). These firms are also recognised as an important source of funding for new start-ups that create employment, technological innovation and economic progress (Zahra, 2005; Zachary, 2011).

1.1. Family and business

The family is as important for the long-term sustainability of the family firm as the business itself; moreover, the business must supply income for the family and vice-versa (Zachary, 2011). Family firms are not homogeneous (Westhead and Howorth, 2007; Cruz and Nordqvist, 2012) and with the adjacency of work and family it is a tough and challenging task to manage them in an efficient way (Jaffe and Lane, 2004; Solomon, Breunlin, Panattoni, Gustafson, Ransburg, Ryan, Hammerman and Terrier, 2011). This complexity is due to the overlapping of different realities and while the family system praises union and harmony in social relationships, the business system is marked by the competitive environment (Oliveira, Albuquerque and Pereira, 2012). Often family issues interfere on business, even in long-lived family firms, and if the family has no tradition in working together it is likely that some conflicts will occur. Some firms offer a seminar to young and new family members to learn about the family holdings and the basics of financial responsibility (Jaffe and Lane, 2004). Business productivity and income tend to decline when the tension level in the family increases (Olson, Zuiker, Danes, Stafford, Heck and Duncan, 2003). Consequently, Zachary (2011) suggests that, in order to understand the family business, the family and the business should be studied separately and in conjunction.

Jaffe (2005) believes that a proper financial planning must include two dimensions: (1) the family's desires and intentions for the business and, (2) the strategic planning for the business' future. Thus, he proposes the creation of a Family Council and a Board of Directors.

The Family Council must deal with the business of the family, develop a new generation of family members, regulate the involvement of family members in the business and align the business with the family's plan. The Council secures the future in four areas: Mission and Values; next generation development plan; guidelines for family involvement; and share ownership and transfer policies. It includes both the members of the family who are not connected with the business and those who are.

The primary task of the Board of Directors is to look at the business independently from the needs of the family. The Board includes the main shareholders, family members who play key roles, key nonfamily executives and independent nonfamily directors or advisors. The Board focuses on four areas of strategic planning: business renewal; capital needs; key employees and succession governance (Jaffe and Lane, 2004; Jaffe, 2005).

Family goals tend to be more important for family managed firms, whilst financial ones tend to have an increased importance when ownership is diluted and non-family members control management (Westhead and Howorth, 2007).

Moderate levels of task conflicts may generate new ideas if they are arbitrated by a competent board (Bammens *et al.*, 2008). Jaffe (2005) believes that destructive conflict can be minimised if family members make agreements. As the family grows, new generations may have an insufficient understanding of the founder's intents and values. They have different needs, desires and concerns and thus it is harder to find a unified voice. Distrust grows too and some members may want to leave because they inherited the business and did not choose to be part of it. Going public in these situations may be beneficial because market provides liquidity and the valuing process is objective. The sense of cause and effect on the management of assets must be developed so that family members have a sense of fiduciary responsibility, understand their role in the business, have a reasonable expectation of return, understand risk and are willing to be part of important decisions (Jaffe and Lane, 2004).

Tucker (2011) believes these firms represent one of the most complex business models and that it is important to focus on the emotional and relational aspects in order to overcome family conflicts that may affect the future of the firm. Not all family firms are prepared to admit that they have a problem because, for them, it would be like admitting they have problems inside their families. Thus, a poor performance or any other issue is blamed on business causes and not on family conflicts. While many structural or operating changes take place, some attitudes or behaviours, actually, remain the same. To conclude, the author also states that many families solve their issues to the common agreement of their members, which may not always be the best decision for the business.

<u>Question 1</u>: How is the interference of the family sphere in the business sphere managed?

<u>1.1.1. Governance</u>

Family firms may have capital constraints that can discourage the firm's growth (Carney, 2005). Two of the reasons may be the 'ever-increasing' needs of a growing family and the scepticism by financial markets (Miller and Le Breton-Miller, 2006). The adoption of some corporate governance ideas may help family firms, specially the larger ones (Oliveira *et al.*, 2012). Governance helps to avoid conflicts between family members and to preserve the unity (Bammens *et al.*, 2008). Furthermore, the competitive advantage of a family firm can arise from a corporate governance system. Family governance systems have three outstanding "propensities" that can overcome capital constraints: 'Parsimony'; 'Personalism'; and 'Particularism'. As, generally, people are more prudent with their own money, the unification of ownership and control can reduce agency costs, the tendency toward opportunism and motivate efficiency and an accurate resource conservation and allocation. This is quite advantageous in scarce environments. The personalisation of authority may allow the family to enterprise its own vision onto the business. Owner-managers rely largely upon arm's length transitions and maintain close relations with a subset of reliable partners. The combination of 'Personalism' and 'Particularism' can be advantageous in accumulating and using social capital and these three propensities can generate competitive advantages (Carney, 2005).

One of the most important benefits of owner-management is its stewardship motivation, which is strengthened by its past, present and future being tied to the firm's reputation. Superior attitudes of stewardship may help a family firm surpass a non-family firm because managers and owners are moved by more than economic self-interest, trying to strengthen the firm and its people. However, left unchecked, family management can be dangerous (Miller and Le Breton-Miller, 2006). Incompetent family leaders can ruin family fortunes; thus, as the firm grows, the need for professional standards and accountability grows too. An effective Board is extremely important for successful operation, especially in crisis (Jaffe and Lane, 2004).

A substantial part of the failures of many firms could be avoided by implementing a Board of Directors, which has different characteristics and needs in different generational stages of the firm due to the changes in family attributes, such as *task conflict*, *family experience* and *intentional trust*. *Task conflict* increases over generations because new members may have a different view about the firm and the business. Passive family shareholders also tend to increase; furthermore, while active family members are likely to focus on long-term performance, passive shareholders are likely to prefer short-term dividend pay-outs. *Family business experience* and skills increase as new generations get involved, because parents often share tacit organizational knowledge and wisdom with their children. *Intentional trust*, one of the main advantages of family firms, tends to decrease over generations as there are fewer social interactions and family members usually care more about their own nuclear household rather than on the welfare of whole family. As a combined impact of these factors, the need of Board advice decreases from the first generation to the second, and then rises again in third and subsequent generation firms (Bammens *et al.*, 2008).

Independent directors and non-family influential shareholders can bring knowledge, incentive to monitor managers and give a better protection to minority shareholders (Miller and Le Breton-Miller, 2006); however, these firms usually employ less professional managers and these are forced to focus on day-to-day operating details and not on strategic planning (Carney, 2005).

Outside Board members may bring new directions and perspectives (Jain, 1980; Sharma, Chrisman and Chua, 1997), help the company and act as arbitrators (Mace, 1971; Lane, 1989). However, some authors are sceptical and argue that outside Board members have less knowledge about the firm and its environment, less authority and less availability (Ford, 1988). Jonovic (1989) believes that the need for outside members can be compensated with financial and strategic planning and control systems.

As the firm grows and the number of non-family managers increases, there is a need to use formal control systems and structures (Bammens *et al.*, 2008) which may reduce the firm's flexibility to adapt to environmental changes. Therefore, while the founder has more freedom to engage in entrepreneurial activities based on intuition, these activities in third generation and beyond firms are more planned and based on conventional strategies (Cruz and Nordqvist, 2012).

<u>SQ1.1</u>: What is JM's governance system and how is it related to the overlap of the family and business' spheres?

1.1.2. Performance and Entrepreneurship

In a family business the goals of the firm and the family are often linked. Families have unique dynamics that can play an important role in the creation and sustainability of entrepreneurial behaviours (Zachary, 2011). The organizational culture of these firms is an important strategic resource that may offer a distinct competitive advantage over rivals by promoting and sustaining entrepreneurial activities (Zahra, Hayton and Salvato, 2004; Le Breton-Miller and Miller, 2006). The overlap of the family and the business can create competitive advantages for family firms (Gersick *et al.*, 1997; Zahra *et al.*, 2004).

Effective corporate entrepreneurship is advantageous for any kind of firm, especially nowadays with the quick changes on the competitive environment and the trend of short-life cycles on businesses and products. It also helps firms to exploit their competitive advantages as well as to explore new opportunities (Zellweger and Sieger, 2012). Besides helping the firm to revitalise its business and stay competitive (Zahra *et al.*, 2004; Zahra, 2005; Cruz and Nordqvist, 2012; Zellweger and Sieger, 2012), a continued entrepreneurship, continued family involvement and professional management are important for a family firm (Westhead and Howorth, 2007). But, while it is essential for firms, entrepreneurship consumes time and resources and it is risky (Zahra, 2005).

As the family firm evolves, challenges increase and owners and managers must face these changes as the family and the business often develop and grow in different ways (Jaffe and Lane, 2004; Cruz and Nordqvist, 2012). Changes include the degree of family identification, influence and personal investment (Gersick *et al.*, 1997; Schulze *et al.*, 2003; Cruz and Nordqvist, 2012).

According to Le Breton-Miller and Miller (2006), the combination of long-term orientation, low turnover and 'prevailing socio-cognitive familial bonds' help family firms to create advantages over non-family firms. Long tenures can drive leaders to take a cautious steward viewpoint of the business. Usually, they dislike unrelated diversifications, risky acquisitions or short-sighted downsizing. At the same time, they invest in long-term projects (eg. Infrastructure creation and R&D) and lengthy tenures give them a deep knowledge of the company and the business. In comparison to many public traded non-family firms, there is less pressure to achieve quick results, there is a concern for subsequent generations and there are more resources to invest due to lower agency costs.

Yet, while some factors can help family firms to be entrepreneurial, these firms can follow conservative strategies over time, become risk-averse and experience ‘strategic simplicity’ by using always the same strategies that worked in the past (Zahra *et al.*, 2004; Zahra, 2005; Zellweger and Sieger, 2012). As past successes can become liabilities, a sole dependence on exploitation can lead to various disadvantages. Thus, in order to achieve a long-term survival it is mandatory to explore new opportunities too. Investing simultaneously in multiple levels of innovation is vital. Successful multigenerational family firms usually explore new opportunities and exploit the ones that have been discovered or created (Sharma and Salvato, 2011).

Family ownership and involvement stimulate entrepreneurship but long CEO tenures can have the opposite effect (Zahra, 2005). Moderate levels of individualism, high external cultural orientation, decentralisation and strategic control are associated with higher levels of entrepreneurship, while focussing on financial controls (short-term orientation) has a negative impact (Zahra *et al.*, 2004). External investors and non-family managers can help the firm in fostering entrepreneurship (Salvato, 2004; Carney, 2005).

Moderate levels of family ownership lead to a greater international entrepreneurship, while higher levels can lead to stagnation. Thus, opening the company to non-family owners may help family firms engaging in international ventures. On the one hand, it can help to overcome typical financial constraints of family businesses and provide technological and human resources. But, on the other hand, the risk is shared and the family has fewer reasons to fear (Sciascia, Mazzola, Astrachan and Pieper, 2012).

Family dynasties usually take a long-term view of wealth creation and often act also under non-financial goals (Jaffe and Lane, 2004). Altruism in family firms makes them unique due to transfers of history, identity and language; moreover, it can cultivate loyalty and commitment too (Schulze *et al.*, 2003). The “familiness” concept, which differentiates family firms from others, results from this unique interaction among the family unit, the business entity and the individual family members. Family firms whose goal is transgenerational wealth creation generate “distinctive familiness” (resources and capabilities) that may lead to positive and synergistic outcomes and thus be competitive over time (Habbershon, Williams and MacMillan, 2003).

Family firms can follow two directions: (1) become public or become considerably large with professional management or (2) sell its core business and collect a portfolio of investments of several assets types (Jaffe and Lane, 2004).

<u>SQ1.2</u>: Why is entrepreneurship important not only for JM's performance but also for the interaction between the family and the business?

1.1.3 Succession

Executive successions are sometimes influenced by familiar caprices rather than by competence (Miller and Le Breton-Miller, 2006) and they are a challenging process due to the intersection of ownership, management and family (Gersick *et al.*, 1997).

Brun de Pontet, Wrosch and Cagne (2007) argue that successions are more than a mere change of roles and responsibilities. When both generations control the business, their relationship and the business can be at risk if the successor remains in the incumbent's shadow. Thus, the "optimal" succession happens when there is a progressive decline in the incumbent's control and a progressive growth of the successor's abilities and authority. These authors also state that family harmony and trust, business factors, previous experience with succession, the Board's influence and a possible emotional obligation of choosing a successor from the family affects succession.

Experience and demonstrated competence influence the successor's authority (Tharenou, 2001). However, Lima (2003) stated that many Portuguese family firms found it important to choose a successor from the family (with the same surname) in order to positively influence stakeholders.

If succession is well managed there are some benefits for the business, such as "continuity of values and approach, strong identity and commitment, greater loyalty and flexibility". If not, it may cause a long-term conflict and, in the worst case scenario, the cessation of the business and/or a family internal conflict (Duffy, 2011: 26). To prevent and resolve these situations it may be important to hire non-family managers (Westhead and Howorth, 2007) or to bring a neutral advisor to help the firm in the complex succession planning process (Duffy, 2011).

One of the most important strategies to achieve longevity may be the succession within the family. Timing and having the next generation interested in joining and capable of managing the company are vital. The selection of the "best" successor depends on the goals of the firm, whether they are related to family harmony or to growth and profitability (Sharma *et al.*, 1997).

Sonnenfeld and Spence (1989) found four leader's departure styles: monarch; general; governor; and ambassador. While in the first two styles the leader stays closely in touch with the firm, governors and ambassadors hold a distance after retirement. They say that the ambassador style is the best: he leads the firm to moderate levels of growth, he understands the right time to leave and he stays in touch as an advisor (Sharma *et al.*, 1997).

<u>SQ1.3</u>: How were successions managed?

1.2. Generational issues

Often, “a misalignment between an organizational past and future” - whether from excessive attachment to the past, radical rejection of the company’s history or an incongruous mix of past and present choices - can lead to failed successions (Miller, Steier and Le Breton-Miller, 2003).

Every generation must have a new strategy to remain successful, achieve autonomy and maintain a good work relationship (Post, 1993). These strategies can include starting a new venture or division of the business (Barach, 1984) and internationalising (Gallo and Sveen, 1991).

Priorities change. In the first generation the founder provides entrepreneurial orientation; in the second one, analysis of the competitive environment has an important impact on entrepreneurship; and in the third generation and beyond, it is the access to non-family resources that strengthen entrepreneurship (Cruz and Nordqvist, 2012).

Q2: How does each family leader give continuity to the legacy while introducing his own vision?

1.2.1. Culture

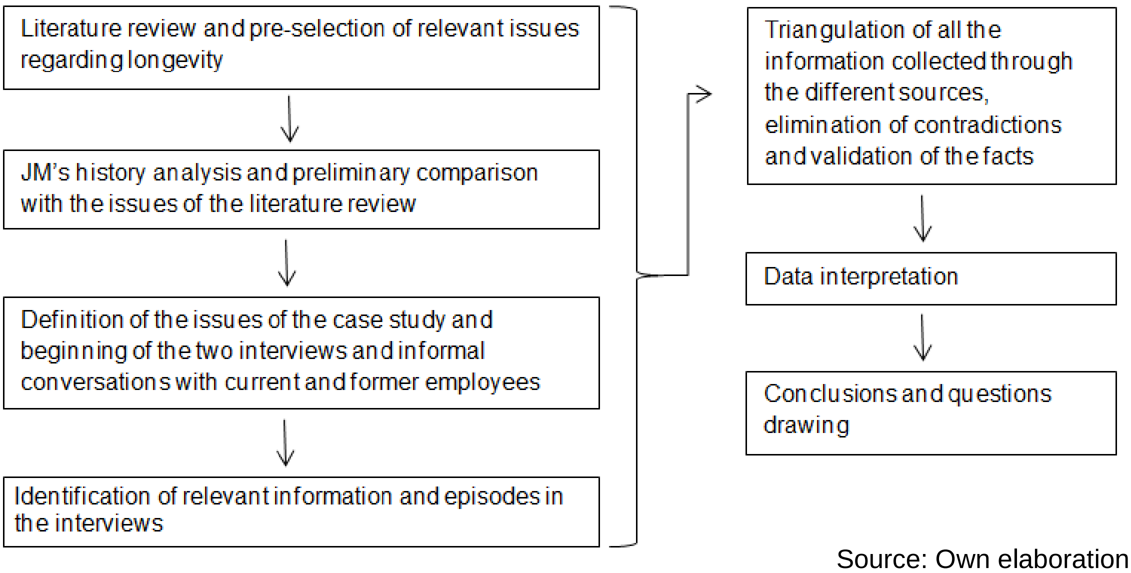
The leader has a strong influence on culture, values and performance of the firm (Schein, 1983). Sharma (2004), reviewing the literature, argues that this influence during and beyond their command is because of their long tenures and the centrality of their positions. Dyer (1988) believes that the culture of the family firm is very important for its success and longevity; and he identifies four kinds of culture: Paternalistic; Laissez-Faire; Participative; and Professional. These cultures vary in terms of: ‘the nature of relationships’ (i.e. hierarchical, group orientated or individualistic); ‘human nature’ (how the employees are perceived); ‘nature of truth’ (whether correct decisions have to come from the founder family, group decisions, professional rules, etc.); ‘orientation toward the environment’ (reactive, harmonizing or proactive); ‘nature of human activity’; ‘time orientation’ (past, present and/ or future), etc..

Size, age, generation in control and type of business can influence the culture and decision making (Dyer, 1988; Sharma *et al.*, 1997). To conclude, an environmentally sensitive culture can be vital (Hoffman, 1981).

SQ2.1: How did each leader influence JM’s culture over the generations and how is this related to their longevity?

2. Methodology

Figure 1 Research model



Source: Own elaboration

This thesis is a historic single case study using a qualitative methodology and a holistic analysis (Yin, 2003). It uses different sources of evidence such as official documents; information available on the company's website; articles and interviews from newspapers, magazines and television; non-structured conversations with former and current employees and two personal interviews, with permission to record the conversation, made specifically for this project. There was a concern to guarantee the confidentiality and academic character of this work too.

The personal interviews consisted in one non-structured and informal interview with Maria de Lurdes Modesto, a former employee that worked in the company for more than 30 years, and one semi-structured interview to Alexandre Soares dos Santos. Although some say that non-structured interviews show a low reliability coefficient (Smith, 1993), the first conversation helped to understand the company culture in a certain period and to listen to stories from someone who knew very well the firm and two leaders. We tried to create a proper trust relationship between the interviewer and the interviewee, in which the latter would talk naturally and without pressure (Sekaran, 2000). Hence, there was the concern to reduce discomfort and the sense of threat felt by the interviewee (Foody, 1993) and thus guarantee a better information collection with a low interference on the answers.

Alexandre Soares dos Santos was interviewed due to the concern to select the person of the company with more knowledge about this subject (Glick, Huber, Miller, Doty and Sutcliffe, 1990) and because he has a big role in JM's current situation. This interview was semi-structured, using a pre-defined script with open answers (Roos and Roos, 1997) with room to approach others topics and avoiding to predetermine the scope of the conversation. After data collection a triangulation was done in order to increase construct validity and to find the key issues of the case.

This thesis has the form of a case study. Its goal is to contribute for the knowledge of the family business phenomenon through the example of JM. It will try to understand how JM could achieve its longevity and why is this issue so important for the family business subject.

In this thesis we follow Sharma (1997: 2) *et al.*'s definition of family business "as a business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families". Thus, we consider JM as a family firm although there are other shareholders and it is public traded.

3. Evidence

3.1. Jerónimo Martins

Table 1 Accountancy, Financial and Operational Indicators (in current prices)

Un.: €000

	1922	1932	1992	2002	2012
Size (assets)	55*	50*	461.366	2.988.725****	4.892.973
Sales & Services	N/A	N/A	819.773.648	4.515.629.000	10.876.000.000
EBITDA	4,687**	0,436**	63.950.477	308.761.000	765.000.000
No. of Shops	N/A	N/A	119**	888	2.538
Selling Area (m2)	N/A	N/A	180.900**	673.719	1.882.889

Notes:

* Constant prices

** Refers to Profits and not EBITDA. Also in constant prices.

*** Refers to 1994 and not 1992

**** Refers to 2004

Source: Own elaboration

Table 2 Type of Corporation

1922-1938	1939-1988	1989-2013
Public Limited Company	Private Limited Company	Joint-Stock Company

Source: Own elaboration

Table 3 Governance System

1922-1938	2007-2013
Latin Model	Anglo-Saxon model

Source: Own elaboration

Table 4 Board of Directors

	1922/ 24	25/ 27	28/ 30	31/ 33	34/ 36	37/ 39	89/ 91	92/ 94	95/ 97	98/ 00	01/ 03	04/ 06	07/ 09	10/ 12	13/ 15
Dimension	6	3	2	2	2	2	5	7	9	11	7	9	9	9	11
Family members	3	2	2	2	2	2	3	4	6	6	2	3	3	3	3

Source: Own elaboration

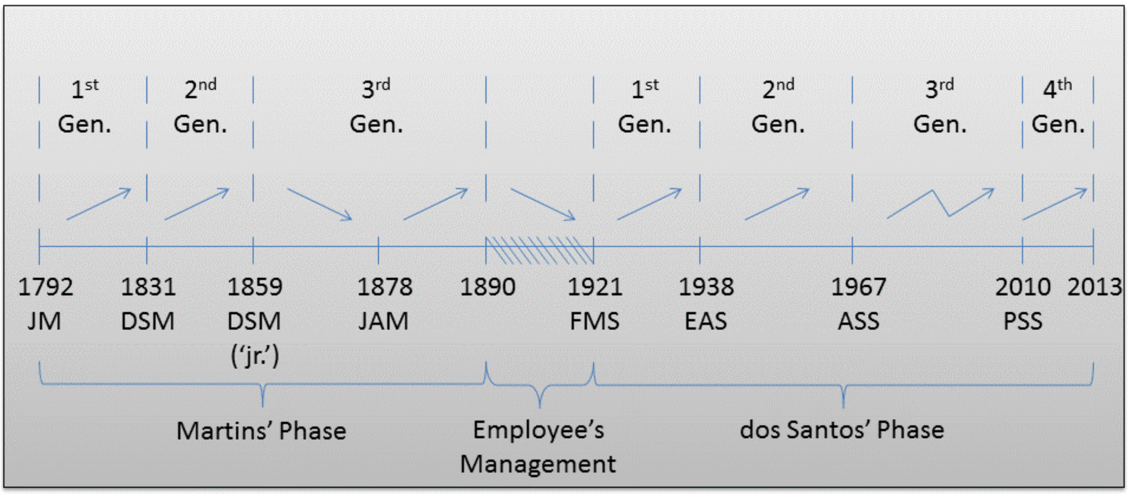
JM is one of the biggest Portuguese companies. It has a strong presence in distribution in Portugal and Poland and a joint-venture with Unilever since 1949. This family firm with more than two centuries has overcome difficult times, as the crisis in 2001, in which JM had to restructure and face a downscoping and a tough debt reduction programme.

This crisis came after a wave of diversification and internationalization; however, the company reacted on time, divested where it was necessary, reduced its debt in 410M € and focused on the distribution business in Portugal and Poland[1]. JM also learned that it should not be over-confident but extremely aware of the constant changes in consumer behaviour and needs in order to finetune its services.

Since then, JM has increased net sales and services, profits and market capitalization. The next few years will be very important for its strategy. The firm and the family are starting a new wave of diversification and internationalization. In February 2013, JM launches its first supermarkets in Colombia and announces that if all goes as planned it will enter another South American market afterwards.

JM's history can be divided into two phases: the Martins and the dos Santos phases. Each generation and most leaders had important strategic decisions and achievements that contributed to JM success over time (Sequeira, 1942; Mónica, 1990; Duarte, 1998; Lima, 2003; Fernandes, 2003, 2011; Coelho, 2004; Jerónimo Martins, 2013; Fundação Francisco Manuel dos Santos, 2013).

Figure 2 Phases and generations

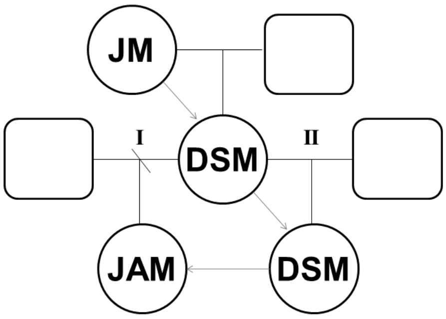


Source: Own elaboration

[1] Poland has been the main contributor for JM's results, accounting for 61,9% of its sales in 2012 (Annual Report, 2012).

3.2. Martins' Phase

Figure 3 Martins' family tree



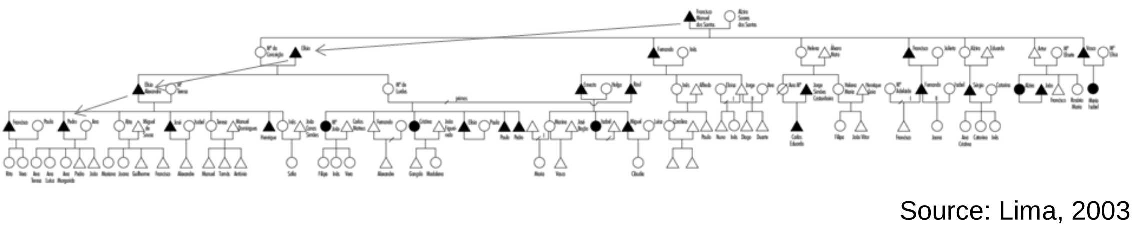
Source: Own elaboration

JM is founded in 1792 when a young Galician called Jerónimo Martins opens his small store, or as it was mentioned in official documents, a "tent", in Chiado. Soon it is promoted to a grocery shop and in 1797 it becomes the main supplier of the Royal Household and of most of the embassies in Lisbon. The business prospers steadily and in 1825 Jerónimo gives a stake to his son Domingos dos Santos Martins, who, after his father's death, in 1831, runs the store and improves it further.

In 1859, shortly after the early death of Domingos dos Santos Martins, his widow (his 2nd wife), and his two sons establish a company to run the store. Domingos dos Santos Martins Jr. (son of the second marriage) has numerous gambling debts and is involved in harmful parallel businesses. He leads the store to a difficult situation and is convinced by his mother and brother to leave. In 1878, João António Martins, the eldest brother of DSM Jr., sells his own cars, horses, furniture, silverware and his home building so that he can start paying the huge debts of JM. The list of creditors was extensive and included the King, the Prime-Minister and great aristocrats. The dignity and energy of João António Martins transformed an almost bankrupt firm into a successful one. In 1884, he gives a stake in JM to his five best employees. When he dies, in 1890, the only heir is his friend Júlio César Pereira de Melo, who runs JM in conjunction with the other employees. The establishment's name remains the same, but in 1918 the consequences of the Great War (e.g. increase of the cost of living, increase of unemployment and food supply disruption) and the inexistence of heirs committed to the business again bring JM to tough times.

3.3. Dos Santos Phase

Figure 4 Dos Santos' family tree



Source: Lima, 2003

3.3.1. The first generation

Francisco Manuel dos Santos (FMS), from humble ancestors, is born in 1876. When he is 10 years old, with a limited knowledge of reading, writing and arithmetic, he moves to Oporto to be a grocer's assistant. Later, self-employed in the same business, he starts making money and building useful professional networking. In 1920, he and 11 other retailers come together and establish Grandes Armazéns Reunidos (GAR), a big Wholesale company at that time in Oporto. In 1921, GAR acquires JM, moves its headquarters to Lisbon and changes its name to Estabelecimentos Jerónimo Martins & Filhos because of JM's history. FMS takes a loan from a bank in which he offers as a guarantee "his work and his honesty".

A restructuring begins and the chain of retail stores is expanded, allowing the recovery and growth of JM. They also acquire shares in some food factories and get involved in manufacturing.

In 1925, some partners and Board members leave JM. The board, initially composed by six members, is now composed by FMS, Elísio Pereira do Valle and José Marçal Nunes, who was one of the five employees having a stake in JM.

3.3.2. The second generation

Elísio Alexandre dos Santos (EAS), son-in-law and nephew of FMS, born in 1907, departs to Angola when he is 14 due to economic difficulties. Ten years later, he returns and because of his professionalism and the total trust demonstrated by the dos Santos and the Pereira do Vale families, he is asked to join the firm in 1935 and to manage it three years later. He begins with an employee status and only later he is given a share of 1,8%. This is very important because with this small share he is able to decide when there is a deadlock between the two families (which have an equal share). This also shows how much he is trusted.

JM becomes one of the major economic groups during the 40's. After Elísio's debut in JM, the firm invests strategically in a factory of margarine, an important product during World War II, and establishes a manufacturing company called FIMA in 1944. FIMA establishes, in 1949, a joint-venture with Unilever in Portugal (that still remains in effect today). It is not an easy decision, the Unilever representative hesitates and former JM's boss FMS seriously questions the effectiveness of the business.

While Lever was previously linked to cleaning products, the joint-venture buys Olá, in 1959, and thus it enters the ice-cream industry (production and distribution). In 1970, Iglo (frozen food) is acquired by the joint-venture.

Maria de Lurdes Modesto tells that EAS, or 'Father Alexandre' as they called him, was seen in Lisbon as the "lion of commerce", a role model. He was very demanding but fair and caring about his employees. He had a paternalistic spirit and was feared and worshipped at the same time. When there was some problem employees would talk to him.

3.3.3.The third generation

Because EAS was very much respected at JM's Group, the first years with Alexandre Soares dos Santos (ASS) controlling JM were not easy: "when I made any decision, people would tell me 'your father would not do that'. Until the day I decided to say that my father was in the cemetery and that they would have to go there to talk to him. Since then, I was myself. I felt confident"[2]

ASS, the current chairman, is a charismatic leader. His vision and the boldness of his leadership as well as his capacity to inspire thousands of employees are credited to be some of the reasons for the prevailing success of JM. He becomes JM's leader in 1967, after being in Brazil as Unilever's Marketing Director. When manufacturing is still dominant in their results, ASS is the first one to realise that the future of JM requires building a strong presence in Modern Distribution.

In 1978 JM returns to distribution, its original activity, establishing an extensive network of superstores. Between 1980 and 1995, it develops the supermarket's chain Pingo Doce, hypermarkets Feira Nova, Recheio cash&carries, marketing and brand representation services through Jerónimo Martins Distribuição and Hussel, a new chain retail specialist for chocolates and candies. This expansion is through growth, acquisitions and strategic alliances, first with Delhaize in Pingo Doce; then with Ahold in Pingo Doce and Feira Nova; with Booker in Recheio; and with Douglas in Hussel.

According to ASS, this strategy to return to Food Distribution was due to Portugal entering EU and the free flow of goods. JM had to protect its investment and prevent Unilever from wishing to bring an end to the joint-venture. "If they controlled production, we had to control distribution (…) It was by chance that internalization came up, because the only thing we wanted was to protect the joint-venture. The result is: a joint-venture that represented 90% of JM's profits now accounts to 5%".

Between 1995 and 2000, JM internationalises: Poland (Eurocash cash&carries; Biedronka stores and Jumbo hypermarkets), Brazil (Sé Supermarkets) and England (Lillywhites sports retailer). It also diversifies its business portfolio by starting the 'in store banking' activity in conjunction with BCP bank (Expresso Atlântico), by having a share at Oniway (telecommunications) and by entering in the Water and Tourism sector acquiring Vidago, Melgaço & Pedras Salgadas.

As a result of this expansion, JM's debt in 2000 reaches the € 1.3 billion mark. Between 2001 and 2005, there is a financial restructuring programme, all the assets not related to the food business are sold and JM leaves Brazil and England to focus on its core business area and reduce its debt level.

As ASS later admitted, "it was nonsense to go to Brazil. It is a very different market, with powerful competitors, both locals and foreigners, very

[2] Mota Ribeiro, A. (2012, September 2). "Entrevista Alexandre Soares dos Santos: Para que lhe serve o dinheiro?". Público 2. Pp. 13-20.

strong and with a lot of money. We have no balance sheet for the market, (but) due to a stupid pride I was convinced that we would make it" (Pinheiro-Alves, 2011: 399).

After rigorous and professional downscoping, JM returns to profit.

3.3.4.The Fourth Generation

In 2004, ASS is replaced by Luís Palha and later, in 2010, Pedro Soares dos Santos (PSS) becomes CEO. He is known by his very operational and hard worker character and he is seen as the responsible for the success in Poland.

Between 2005 and 2010, Pingo Doce consolidates its leading position and Biedronka opens its 1000 store. There is the rebranding and formal merger between Pingo Doce and Feira Nova and JM successfully creates Amanhecer product brands and stores. JM becomes one of the main employers in Portugal. In 2011, JM decides to expand to Colombia, through a Greenfield strategy, opening its first supermarkets in 2013.

3.4. Sociedade Francisco Manuel dos Santos (SFMS)

SFMS, the family holding and JM's main shareholder, was constituted in 1941. ASS (through Sindcom) is the main holder and has a share of 38,67% at SFMS (Fernandes, 2011). In 2009, SFMS created the Francisco Manuel dos Santos Foundation (FFMS), a project that, according to its Chairman António Barreto (2013)[3], promotes "the study of Portugal, in order to contribute to the development of its society, the improvement of its public institutions and the consolidation of its citizens' rights". In 2012, SFMS entered a new business area (Health) creating the Walk'in Clinics. It also considers investing in agriculture and/ or education in Portugal.

4. Evidence discussion

4.1. Family and Business

The management of this interaction is essential at JM. There is a clear distinction between the family and the business. Family issues, concerns and conflicts are managed at SFMS and do not enter the JM's sphere. The primary function of the family is to be a shareholder and "being a shareholder does not entitle one to employment, but to choose a board and receive dividends in case of profits" (Alexandre Soares dos Santos, 2013). In JM's history, some family members have been asked to leave the company.

Another relevant issue about JM is how the new members of the family are trained. The new generations go to family business programs and, while they are still young, they are lectured about business issues; moreover, they are told what their role is. According to ASS, the creation of FFMS also allows underlining some of the company's values to family members; they must have

[3] Fundação Francisco Manuel dos Santos (2013) What is the Foundation. [online] Available at: http://www.ffms.pt/ [Accessed: 23 Feb 2013].

social responsibility and return to the country the opportunities that were given to them. There is also the concern that they become citizens of the world; that they become independent, gain experience and compare habits while working abroad.

There is a family pact which rules, for example, who works at the company, how to be eligible, to what positions and what CV one must have. At the end of the day, JM is a multinational public firm that must be managed in a professional way for the benefit of the business and the family. Members must be professional and competent; they must be the first to lead by example through complete transparency and flawless conduct.

Conflicts may always happen, whether in family or non-family firms. In JM, there is the family pact. Different interests are debated among family members. Conflicts must be addressed in a quick and frontal manner, no matter how difficult they are, for the benefit of most shareholders and not only some. This is very important because if family conflicts are not solved at SFMS level they risk entering the JM sphere. This is mandatory in JM: to protect investment and avoid familial frictions to harm the company.

4.1.1. Capital Structure and Corporate Governance

ASS considers that JM is not a family firm but a firm in which a family detains a very important stake. In this publicly traded company, 56.1% belongs to SFMS, 16.8% belongs to other four qualified shareholders and the remaining (27.1%) is floating and own shares.[4] Although they can buy Stock Exchange shares of the company, no family member is individually a JM qualified shareholder; the family has one single voice at JM level.

The Group is managed taking into consideration all shareholders, all are entitled to thorough and transparent information, SFMS receives the same information as other shareholders.

Management is highly professional; it follows several recommendations of the Cadbury Report (Cadbury, 1992) and, since 2007, adopts the "Anglo-Saxon" model of Governance formed by specialised committees and the following corporate bodies: the Shareholders' Meeting, the Board of Directors, the Audit Committee and the Chartered Accountant.[5] As discussed earlier, the adoption of Governance systems and mechanisms has many advantages for family firms; nevertheless, the “Anglo-Saxon” model is market-oriented and the shareholder influence on management is weak, protecting therefore individual shareholders by strict regulation. Another aspect of this model in family firms is the general division between shareholders and managers (Cernat, 2004).

Currently the Board includes Executive, Non-executive and Independent directors. The latter two, besides the possibility of new perspectives, offer a variety of technical skills, networking and links with national and international organisations. All the members are elected by unanimity and have an extensive

---

[4] Annual Report 2012.

[5] See Appendix

curriculum, international experience and ambitious plans for JM's growth. Since 2001, the Board has foreign members including former Unilever's directors and the current CFO of Heerema Group (qualified shareholder of JM).

Following Bammens *et al.*'s (2007) idea about the Board across generations, it is possible to recognise changes during the dos Santos' phase. While in the first three years it consisted of six inside members, of which only FMS, Elísio Pereira do Valle and José Marçal Nunes (until his death in 1929) remained afterwards, nowadays it is structured (as explained on the previous paragraph) in order to cope with the needs of a multinational public firm.

Interestingly, in 1995, when the diversification and internationalisation began, there were no foreign members and the ratio of family members on the Board was 2/3 (6 out of 9). In 2000, when net losses were €64 million and the debt level was twice the amount of 1997's, family members were 6 among 11. In 2012, when net profits were €360 million and EBITDA was almost four times the amount of 2000, the ratio was nearly 1/4 (3 of 11). It does not mean that Portuguese or family members are less competent because there is no linear relationship between each member and JM's results and one of the family members that left the Board in 2000 returned in 2004. Instead, it suggests the need to incorporate expertise and different points-of-view in order to compete in different markets - following the opinion of some authors about the need of outside and non-family members, and a varied Board (Ward, 2005).

4.1.2. Performance and Entrepreneurship

As the last chapter will discuss, JM's culture is distinguished by its pioneering spirit and external orientation. Its DNA, combined with family involvement, long-term orientation and incentives not limited to financial reward, supports an entrepreneurial behaviour and contributes to the sustainability of the firm. The presence of external investors and independent and non-family directors at JM reinforces this behaviour.

JM has always been entrepreneur and innovative, especially since the third generation of the Dos Santos' phase, in which there was a focus on consumers' needs. Entrepreneurship is risky and some decisions were hazardous; however, as ASS stated, "one of the characteristics of JM is to learn from mistakes and quickly implement a correction. I always tell my grandchildren and employees that the word 'defeat' is not on our dictionary. The return from Brazil brought us humility and focus. Things can go wrong, the opponent may have scored a goal; but we will have to react and, at least, to end in a draw" (Mota-Ribeiro, 2012). It is also important to step back at the right time and that was what happened when some diversifications proved unsuccessful.

Every diversification started in 1996 had a reason. Lillywhites, for example, was an attempt to introduce the non-food at JM and enter the UK market. The Group needed to grow and to seek new formulas. Yet, it was a new market and new activity at a time in which JM was also starting in Poland and having many investments. With this business and geographic diversification JM learned that investments must be done step-by-step; hence, in the next five years JM is unwilling to start something new while it is focussed into making the Colombia operation successful. Everything must be well-thought-out because a bad decision can ruin years of work.

Walk'in Clinics was a diversification attempt of SFMS, which has everything invested at JM; however, it is now being debated whether this kind of investment should be carried by JM or SFMS. The solution may be JM's sub-holdings creating these investments to sell them afterwards to SFMS, but that is not clear yet. ASS believes that maintaining investment is vital for family firms, because if people become used to dividends and having more money they will become conservative and risk-averse.

It is possible to find similarities between the dos Santos' phase and Cruz *et al.*'s (2012) theory. In the **first generation** FMS and EPV were fundamental for restructuring JM and expanding its network of retail stores; in the **second one**, interpretations of the competitive environment (the importance of manufacturing and margarine) influenced EAS; and in the **third generation and beyond**, the access to non-family resources strengthened its entrepreneurship. The family stake of 56% is also very close of the 53% family ownership recommended by Sciascia *et al.* (2012) regarding higher results in international entrepreneurship.

4.1.3. Succession

A careful succession planning is vital for the success and longevity of firms and the same applies to JM. Merit is at the basis of its culture and the same happens in successions, in which an Evaluation and Nomination Committee analyses who has more conditions to achieve success. Candidates must follow a set of requirements and then start a defined career. This Committee has started to analyse PSS fifteen years ago. His role on Biedronka's development and Pingo Doce's repositioning, combined with his profile, adequate for the company's contemporary challenges, all influenced succession in 2010. Luís Palha was very important, particularly in JM's recovery, but then, at a time in which expansion was the strategy, PSS became the ideal successor[6].

In 2004, ASS decided to leave his CEO position. There was a great expectation and three people were equated to replace him; his two sons, Pedro and José, and Luís Palha, CFO at that time and seen as responsible for the financial turnaround. Thus, ASS was replaced by Luís Palha before, in 2010, PSS would be unanimously elected CEO. ASS knew of PSS' qualities, vision and leadership. However, PSS needed time to mature until he became a natural choice. The election of Luís Palha, besides being the best decision at the time, also served to show that skills alone would determine the final choice.

So far, numbers suggest that it was an effective succession: between 2010 and 2012, sales increased more than €3.5 billion (nearly 14%) and the

[6] Nobre, A. (2013, April 13). Jerónimo Martinss, uma sucessão com resultados imunes à crise. Expresso Economia. Pp. 20/21.

share price increased 109%. Net profits in 2012 were €360 million, an improvement of 80% compared to 2009[7].

Following Sonnenfeld and Spence (1989), it is possible to characterise ASS's departure as corresponding to the Ambassador style. Since 2004, ASS left day-to-day operations to deal with the long-term of JM as Chairman. The new venture in Colombia influenced ASS to stay another mandate in 2013. Brazil's venture was not forgotten and his experience and counselling are essential; on the other hand, a new Chairman at this stage would not be easily integrated in the current strategy. His departure has been progressive - as Pontet *et al.* (2007) suggest as adequate.

4.2. Generational issues

If we take a look at the 221 years of JM's history, we learn that the firm grew along generations. In both phases, it is during the third generation that the company faced difficult times and recovered. But while in the Martins' Phase it was another third generation member who recovered JM, in the Dos Santos' Phase it was the same leader. Moreover, the Pereira do Valle family's tenure did not reach a fourth generation and the family sold its stake at JM in 1989.

Regarding the Dos Santos' Phase, although each generation continued the family legacy, vision and culture, each one was able to introduce its own viewpoint with a well-defined strategy. The **first generation** was important to expand and turn the JM's grocery shop to a chain of retail stores and start commercialising Unilever products. The **second one** expanded activities to manufacturing, established a joint-venture with Unilever, expanded to Africa and turned the company into an important Group. The **third one** led JM back to distribution, to internationalise and to become one of the top Portuguese companies. Finally, the **fourth generation** continued the internationalisation process and further improved results.

4.2.1.Organizational culture

Each one of the Dos Santos's leaders influenced JM's culture. "Founder/ owners often start with humanistic and social concerns that become reflected in organizational structure and process" (Schein, 1983: 25) and it is possible to identify this continuity of values across generations.

In the **first generation**, JM is the first company, in Portugal, paying its employees the 13th month of salary, builds a canteen and creates a summer camp. FMS also paid his employees' studies. In the **second generation,** this concern about employees is maintained. In 1955, there was a library, reading-room and Drama Group (culture); games-room and football team (sports), and an annual Christmas party with gifts for employees' children. In 1958 Fima-Lever-Thibaud's employees launch the first monthly newsletter. In the **third generation**, social responsibility is strengthened, JM creates an award and a fund to help employees with seized wages.

[7] Annual Report 2012.

This behaviour reinforced employees' commitment and they started to feel an important part of the company, like belonging to a family, helping JM to keep its best people. This is one of the considerations they have regarding the future and try to pass to new generations. Furthermore, this and the fact that JM offers its employees good conditions and salaries above-average, the existance of works councils and ASS's neutral position in the country's political life may have helped the group to overcome without any major problems the April 25th Revolution, in 1974, and the turmoil that followed.

The self-made-man and entrepreneur character of FMS was continued by generations who were never risk-averse. JM's culture is, nowadays, recognised by its pioneer, innovative and competitive spirit; rigour; transparency; professionalism; external orientation; fair and challenging HR practices; and principles of integrity and corporate and social responsibility.

Often, a family firm cannot attract or retain its best non-family managers because they feel their careers will stagnate at a certain level due to family issues. However, JM's merit culture and the presence of non-family members in key positions (eg. Luis Palha's CEO tenure)[8] suggest that any competent manager, disregard of his family ties, can progress in JM.

This firm, where everybody arrives at business meetings at least fifteen minutes before schedule, follows the "participative culture" in Dyer's (1988) criteria. This culture is somewhat rare and helps family firms to react promptly to changes, foster new ideas and improve decision making.

5. Conclusion

The success of family firms depends heavily on how the family manages this intermingle between the family and the business and not so much on family or business resources (Olson *et al.*, 2003). While preparing this case study, we found there was a clear distinction between family issues, SFMS and JM. There is a set of pre-established steps and rules for family members, who must dialogue, discuss their vision and aims and reach a consensus for the family and the company's sake. Concerns, conflicts and other family issues are, thus, discussed in the family sphere. In the business sphere, the family has one single voice and the shareholder influence on management is weak due to the strict regulation of the 'Anglo-Saxon' model.

At an early stage, they learn family's and business' values that will drive them in the future. They keep in mind their origins and the best tribute to FMS is to respect this project and improve it. JM is not seen as a mere economic thing. Each generation had an important strategy to help the firm's growth and the family project. ASS admits the third/fourth generation's story is true, but it only happens if new generations do not understand what the company is and just care about its market value. Thus, it is mandatory to have an earnest and loyal attitude and to pass these values to new generations.

[8] It is important to mention that Luis Palha did not start his career at JM and started there as CFO.

JM is a multinational public firm and must be managed accordingly, using the best business' practices and methods. It must be competitive, have the best human resources and always protect its investment in order to achieve longevity and success. Unlike some cases in which family issues and conflicts weaken the firm, we can infer the opposite. The success and the professional way in which JM is managed strengthen the family's harmony and unity.

Limitations and Future Directions

The Dos Santos' family turned JM into what it is now due to their unity. Yet, not all family firms are alike and what resulted to JM may not happen exactly the same way in other firms.

Due to JM's 221 years, we were not able to find annual results since the foundation of the company (1792). Even more so because there were periods in which JM was a limited liability company.

Also, the Family Business subject is a complex research field. It is difficult to present an overview of JM's 221 years and, simultaneously, analyse deeply all the related important topics with a 10.000 words limit. Hence, it may be also interesting to focus on some of the discussed topics only, especially regarding shareholder structure; corporate governance; entrepreneurial behaviour; succession and the importance of each generation.

References:

Bammens, Y., Voorderckers, W., & Van Gils, A. (2008). Boards of directors in family firms: A generational perspective. Small Business Economics, 31, 163–180.

Barach, J.A. (1984). Is there a cure for paralyzed family boards? Sloan Management Review, 25(1), 3-12.

Brun de Pontet, S., Wrosch, C., & Gagne, M. (2007). An exploration of the generational differences in levels of control held among family businesses approaching succession. Family Business Review, vol. XX, no. 4.

Cadbury, A. (1992). The financial aspects of Corporate Governance. The Committee on the Financial Aspects of Corporate Governance and Gee and Co. Ltd.

Carney, M. (2005). Corporate governance and competitive advantage in family-controlled firms. Entrepreneurship Theory and Practice, 29, 249–265.

Cernat, L. (2004). The emerging European corporate governance model: Anglo-Saxon, Continental, or still the century of diversity? Journal of European Public Policy, 11 (1), 147-166.

Coelho, H. C. (2004, April). Jerónimo Martins- Ventos de mudança. Ideias & Negócios. Pp. 60-66.

Coimbra, A. (2008). Overview of Family Business Relevant Issues: Country Fiche Portugal. European Commission.
Cruz, C., & Nordqvist, M. (2012). Entrepreneurial orientation in family firms: a generational perspective. Small Business Economics, 38, 33-49.

Duarte, A. S. (1998, July 12). Soares dos Santos, o senhor multinacional. 24 Horas. P. 12.

Duffy, S. (2011). Succession Planning: How to avoid family friction. Accountancy Ireland, 43, 4.

Dyer Jr., W. G. (1988). Culture and continuity in family firms. Family Business Review, 1(1), 37–50.

Fernandes, F. S. (2003). Fortunas & Negócios- empresários portugueses do século XX. Oficina do Livro (Lisboa).

Fernandes, F. S. (2011, August). Os milionários da Jerónimo Martins. Exame. Pp. 42-45.

Foddy, W. (1993). Constructing Questions for Interviews and Questionnaires: Theory and practice in Social Research. Cambridge: Cambridge University Press.

Ford, R.H. (1988). Outside directors and the privately owned firm: Are they necessary? Entrepreneurship: Theory and Practice, 13(1), 49-57.

Gallo, M.A., & Sveen, J. (1991). Internationalizing the family business: Facilitating and restraining factors. Family Business Review, 4(2), 181-190.

Gersick, K. E., Davis, J. A., McCollom-Hampton, M., & Lansberg, I. (1997). Generation to generation: Life cycles of the family business. Boston, MA: Harvard Business Scholl Press.

Glick, W., Huber, G. Miller, C. Doty, D. e Sutcliffe, K. (1990). Studying changes in organizational design and effectiveness: Retrospective even histories and periodic assessments. Organizational Science, 1, 293-312.

Habbershon, T. G., Williams, M., & MacMillan, I. C. (2003). A unified systems perspective of family firm performance. Journal of Business Venturing, 18(4), 451–465.

Hoffman, L. (1981). Foundations of family therapy. New York: Basic Books.

Jaffe, D. (2005). Strategic planning for the family in business. Journal of Financial Planning, 18, 50-56.

Jaffe, D., & Lane, S. (2004). Sustaining a family dynasty: Key issues facing complex multigenerational business- and investment-owning families. Family Business Review, 17, 81–98.

Jain, S.K. (1980). Look to outsiders to strengthen business boards. Harvard Business Review, 58(4), 162-170.

Jonovic, D.L. (1989). Outside review in a wider context: An alternative to the classic board. Family Business Review, 2(2), 125-140.

Kellermanns, F. W., & Eddleston, K. A. (2007). A family perspective on when conflict benefits family firm performance. Journal of Business Research, 60, 1048-1057.

Lane, S.H. (1989). An organizational development/team-building approach to consultation with family businesses. Family Business Review, 2(1), 5-16.

Le Breton-Miller, I., Miller, D. (2006). Why do some family businesses out-compete? Governance, long-term orientations, and sustainable capability. Entrepreneurship Theory and Practice, 1042-2587.

Lima, A. P. (2003). Grandes Famílias, Grandes Empresas: Ensaio Antropológico sobre uma Elite de Lisboa. Publicações Dom Quixote (Lisboa).

Mace, M.L. (1971). Directors: Myth and reality. Boston: Division of Research, Harvard Business School.

Miller, D., & Le Breton-Miller, I. (2006). Family Governance and Firm Performance: Agency, Stewardship, and Capabilities. Family Business Review, 19, 1.

Miller, D., Steier, L., & Le Breton-Milller, I. (2003). Lost in time: Intergenerational succession, change and failure in family business. Journal of Business Venturing, 18(4), 513–551.

Mónica, M. F. (1990). Os grandes patrões da indústria portuguesa. Publicações Dom Quixote (Lisboa).

Oliveira, J. L., Albuquerque, A. L., & Pereira, R.D. (2012). Governance, Succession, and Formalization of Management in Family Businesses: (re)organizing the role played by multi-generation families. Revista Brasileira de Gestão de Negócios, 14, 43.

Olson, P., Zuiker, V. S., Danes, S. M., Stafford, K., Heck, R. K. Z., & Duncan, K. A. (2003). The impact of family and business on family business sustainability. Journal of Business Venturing, 18, 639–666.

Pinheiro-Alves, R. (2011). Behavioural influences in Portuguese foreign direct investment. The Journal of Socio-Economics, 40, 394–403.

Post, J.E. (1993). The greening of the Boston Park Plaza Hotel. Family Business Review, 6(2), 131-148.

Romero, C. (1999, February 26). Jerónimo Martins mais “estrangeiro”. Economia. P. 40.

Roos, G. e Roos, J. (1997). Measuring your company’s intellectual performance. Journal of Long Range Planning, 30 (3), 413-426.

Salvato, C. (2004). Predictors of entrepreneurship in family firms. Journal of Private Equity, 7(3), 68–76.

Schein, E. (1983). The role of the founder in creating organizational culture. Organizational Dynamics, 14, 23–45.

Schulze, W., Lubatkin, M., & Dino, R. (2003). Toward a theory of agency and altruism in family firms. Journal of Business Venturing, 18, 473–490.

Sciascia, S., Mazzola, P., Astrachan, J. H, & Pieper, T. M. (2012). The role of family ownership in international entrepreneurship: exploring nonlinear effects. Small Business Economics, 38, 15-31.

Sekaran, U. (2000). Research Methods For Business. New York: John Wiley & Sons, Inc.

Sequeira, G. M. (1942). Jerónimo Martins: cento e cinquenta anos de vida comercial 1792-1942. Jerónimo Martins e Filho (Lisboa).

Sharma P. (2004). An overview of the field of family business studies: Current status and directions for the future. *Family Business Review*, *17*, 1, 1–36.

Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. Family Business Review, 10(1), 1–35.

Sharma, P., Salvato, C. (2011). Commentary: exploiting and exploring new opportunities over life cycle stages of family firms. Entrepreneurship Theory and Practice, 1042-2587.

Smith, M. (1993). Personnel Interviewing: A Mini-Training Program. In Breakwell, G., Foot, H. e Gilmour, R. (Eds.) Doing Social Psychology: Laboratory & Field Exercises. Leicester: BPS.

Solomon, A., Breunlin, D., Panattoni, K., Gustafson, M., Ransburg, D., Ryan, L., Hammerman, T., & Terrier, J. (2011). ''Don't Lock Me Out'': Life-Story Interviews of Family Business Owners Facing Succession. Family Process, 50, 2.

Sonnenfeld, J.A., & Spence, P.L. (1989). The parting patriarch of a family firm. Family Business Review, 2(4), 355-375.

Tharenou, P. (2001). Going up? Do traits and informal social processes predict advancing in management? *Academy of Management Journal*, *44*(5), 1005–1017.

Tucker, J. (2011). Keeping the business in the family and the family in the business: 'what is the legacy?'. Journal of Family Business Management, 1, 65-73.

Ward, J. (2005). "Manter o negócio na família" in Corporate Governance. S.T. & S.F.- Sociedade de Publicações.

Westhead, P., & Howorth, C. (2007). Types of private family firms: An exploratory conceptual and empirical analysis. Entrepreneurship and Regional Development, 19, 405–431.
Yin, R. 2003. Case study research: Design and methods (3rd ed.). Thousand Oaks, CA: Sage.

Zachary, R. K. (2011). The importance of the family system in family business. Journal of Family Business Management, 1, 26-36.

Zahra, S. A. (2005). Entrepreneurial risk taking in family firms. Family Business Review, 18, 23–40.

Zahra, S. A., Hayton, J., & Salvato, C. (2004). Entrepreneurship in family vs. non-family firms: A resource based analysis of the effect of organizational culture. Entrepreneurship Theory and Practice, 28, 363–381.

Zellweger, T., & Sieger, P. (2012). Entrepreneurial orientation in long-lived family firms. Small Business Economics, 38. 67-84.

Websites:

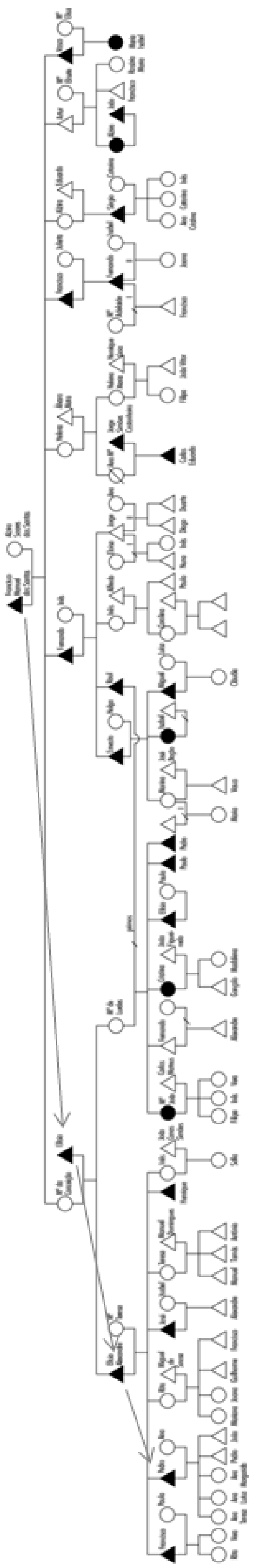
- Jerónimo Martins (2013). Available at: http://www.jeronimomartins.pt [Accessed: 21 JAN 2013]
- Fundação Francisco Manuel dos Santos (2013) What is the Foundation. [online] Available at: http://www.ffms.pt/ [Accessed: 23 Feb 2013].

Jerónimo Martins’ Annual Reports: 1922/ 1938 and 1991/ 2013.

Appendix

Contents

Figure 5 The Dos Santos' Family Tree



Source: Lima (2003)

Key events

1792 JM is founded.

1797 JM Becomes the main supplier of the Royal Household and of most of the embassies in Lisbon.

1831 Domingos dos Santos Martins runs JM and improves it even more.

1859 Domingos dos Santos Martins ("Jr.") runs JM and lets the store in a difficult situation.

1878 João António Martins, half-brother of Domingos dos Santos Martins ("Jr."), transformed an almost bankrupt firm into a successful one.

1890 João António Martins dies and the only heir is his friend Dr. Júlio César Pereira de Melo, who runs JM in conjunction with the five best employees who have a stake at JM.

1921 GAR acquires JM, a restructuring begins and the chain of retail stores is expanded. The most important shareholders and directors are Francisco Manuel dos Santos and Elísio Pereira do Valle.

1938 Elísio Alexandre dos Santos becomes JM's leader.

1944 JM establishes a manufacturing company called FIMA.

1949 FIMA establishes a joint-venture with Unilever.

1959/1970 The joint-venture acquires Olá (ice-creams) and Iglo (frozen food).

1967 Alexandre Soares dos Santos becomes JM's leader.

1974 The April 25th Revolution against the fascist dictatorship of Estado Novo takes place. Many companies (the ones in key strategic areas) are nationalized and the families of its owners are forced into exile. However, JM overcomes without any major surprises this troubled time. The managers and the family remain in Portugal and JM offers new jobs in Portugal for the employees returned from Angola.

1978 JM returns to distribution, its original activity, by establishing an extensive network of superstores.

1985 JM becomes a holding company and sets up a joint-venture with the second largest Belgian retailer, Delhaize "Le Lion", to develop the supermarket's chain Pingo Doce. Jerónimo Martins Distribuição (JMD) is also set up in order to follow the company's traditional operations, brand representation.

1988 JM continues to grow and acquires 60% of Recheio, a cash & carry company. A great fire destroys the JM offices and the historical store on Rua Garrett. One year later, JM enters in the olive oil sector, buying the company that produced

Gallo. Acquires the remaining 40% of the Recheio chain, SFMS acquires the remaining shares of the Vale’s family in JM and this one is launched on the Stock Market.

1990 The group diversifies its asset portfolio by founding Hussel, a new chain retail specialist for chocolates and candies, in conjunction with the German company Douglas AG. Also in that year, JM acquires one of the biggest cash & carries hypermarkets in Portugal, being a strong contribute for its activities in wholesale Distribution. One year later, this is driven with the joint-venture with the British Booker group, the major food wholesaler in the UK.

1992 JM makes a strategic repositioning. Buys to Delhaize "Le Lion" its share in the group's retail business and sets up a joint venture with the Dutch company Royal Ahold (one of the world’s largest Food Retail companies and which still has 49% in Jerónimo Martins Distribuição (Retail), the holding company that controls Pingo Doce). This year is also marked by the introduction of private brands, the start of a retail’s multi-format strategy and an acceleration of its growth.

1993 JM in conjunction with Ahold acquires a holding company in which will allow them to control more 56 supermarkets and 8 cash & carries. Later in that year, JM announces the acquisition of more than 90 stores. In manufacturing FIMA acquires another olive oil producer and becomes the national leader in this sector.

1994 Poor expectations about the distribution sector in Portugal and cash flow problems lead JM to decide to internationalize. Poland is the chosen country and the expansion occurs in 1995 with the acquisition of the Polish cash & carries Eurocash, in conjunction with Booker. The Biendronka project starts that year as well.

1996 JM acquires Lillywhites (a famous sports retailer) in the UK and, in Portugal, in an unprecedented joint-venture with the BCP bank, JM starts the ‘in store banking’ activity launching the Expresso Atlântico "stores". JM also buys Vidago, Melgaço & Pedras Salgadas (VMPS), producers and distributors of the brand leader in bottled water.

1997 JM continues its internalization process and goes to Brazil with the acquisition of Sé supermarkets. In Poland, the group materialises its purchasing option in Biedronka.

1998 The Booker’s stake in Recheio (Portugal) and in Eurocash (Poland) is bought by JM. Pingo Doce launches the first virtual supermarket in Portugal and Biedronka continues to open new stores.

2000 The venture in Brazil does not go as planned and this is reflected in the financial results. JM’s debt reaches the 1.3 billion euros.

2001 VMPS is sold as well as JM’s stake in Expresso Atlântico and OniWay (telecommunications).

2002 Lillywhites and Sé supermarkets are sold too.

2003 JM returns to profit.

2004 Through a management buy-out operation, Eurocash (in Poland) is sold in order to JM focus on its the prosperous Biedronka project. The alienation of unprofitable businesses allows JM to strengthen their core business and structure.

2005 A greater operational efficiency and a highly competitive pricing policy, being practiced lately, leads to an increment of the competitiveness of its distribution brands in Portugal and Poland, even in a tough economic situation. JM also creates a training school for its employees.

2006 JM continues to grow and extend its actions to Social Responsibility policies. In manufacturing, JM and Unilever decide to set up a single company, Unilever JM.

2007 Pingo Doce consolidates its leading position and Biedronka open its 1000 store. In Portugal, Pingo Doce and Recheio claim to be the first companies in the world, in Distribution, "to certify the development and follow-up of their Private Brands". Also in Portugal, JM becomes one of the main employers.

2008 In Services, they open the chili's restaurant (casual dining) in conjunction with Brinker International.

2009 JM launches the food products brand Amanhecer which is a success and, consequently, leads to the creation of Amanhecer stores, a traditional retail project between the former store owners and Recheio. Also in 2009, there is the formal merger between Pingo Doce and Feira Nova.

2010 Pingo Doce launches Take Away and restaurant services.

2011 JM activity in Portugal and Poland grows and Colombia is the third chosen country for JM's expansion.

2012 SFMS enters into a new business area (Health), creating the Walk'in Clinics.

2013 JM opens its first supermarkets in Colombia and expects to have 40 supermarkets there at the end of the year.

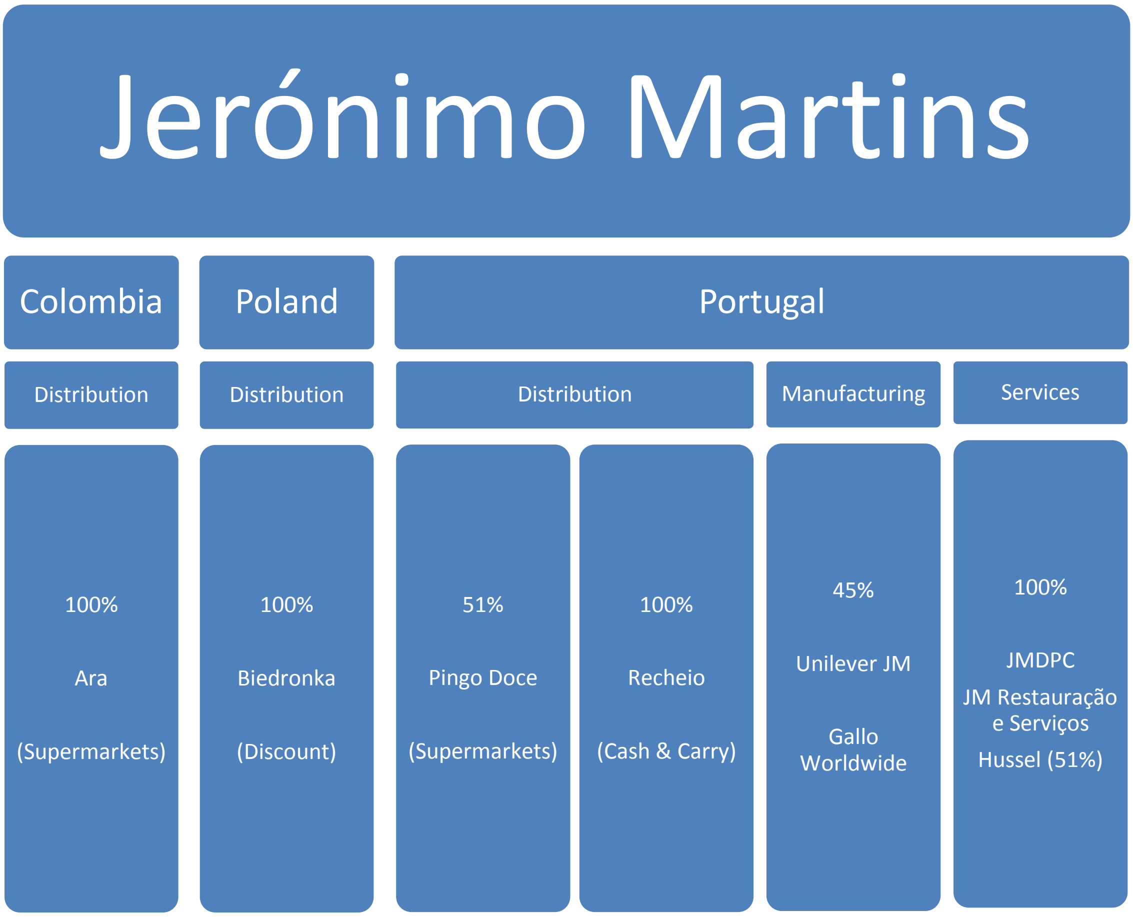
Table 5: JM's Financial Indicators in current prices: Last 20 years

Un. Eur 000

	Sales & Services	EBITDA
1993	1.492.000	102.083
1994	1.620.000	143.430
1995	2.006.000	160.133
1996	2.493.000	211.666
1997	2.814.000	269.464
1998	2.955.000	337.646
1999	3.263.000	377.250
2000	4.871.490	241.553
2001	5.048.793	297.539
2002	4.515.629	308.761
2003	3.881.512	329.013
2004	3.871.459	337.685
2005	4.127.539	332.100
2006	4.611.599	333.582
2007	5.434.048	356.951
2008	6.827.779	468.431
2009	7.412.358	534.930
2010	8.691.000	624.000
2011	9.838.000	722.000
2012	10.876.000	765.000

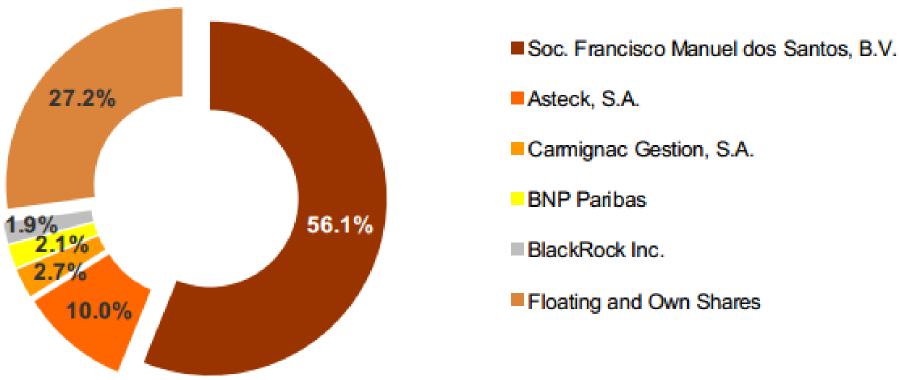
Source: Own elaboration

Figure 6 JM's activities



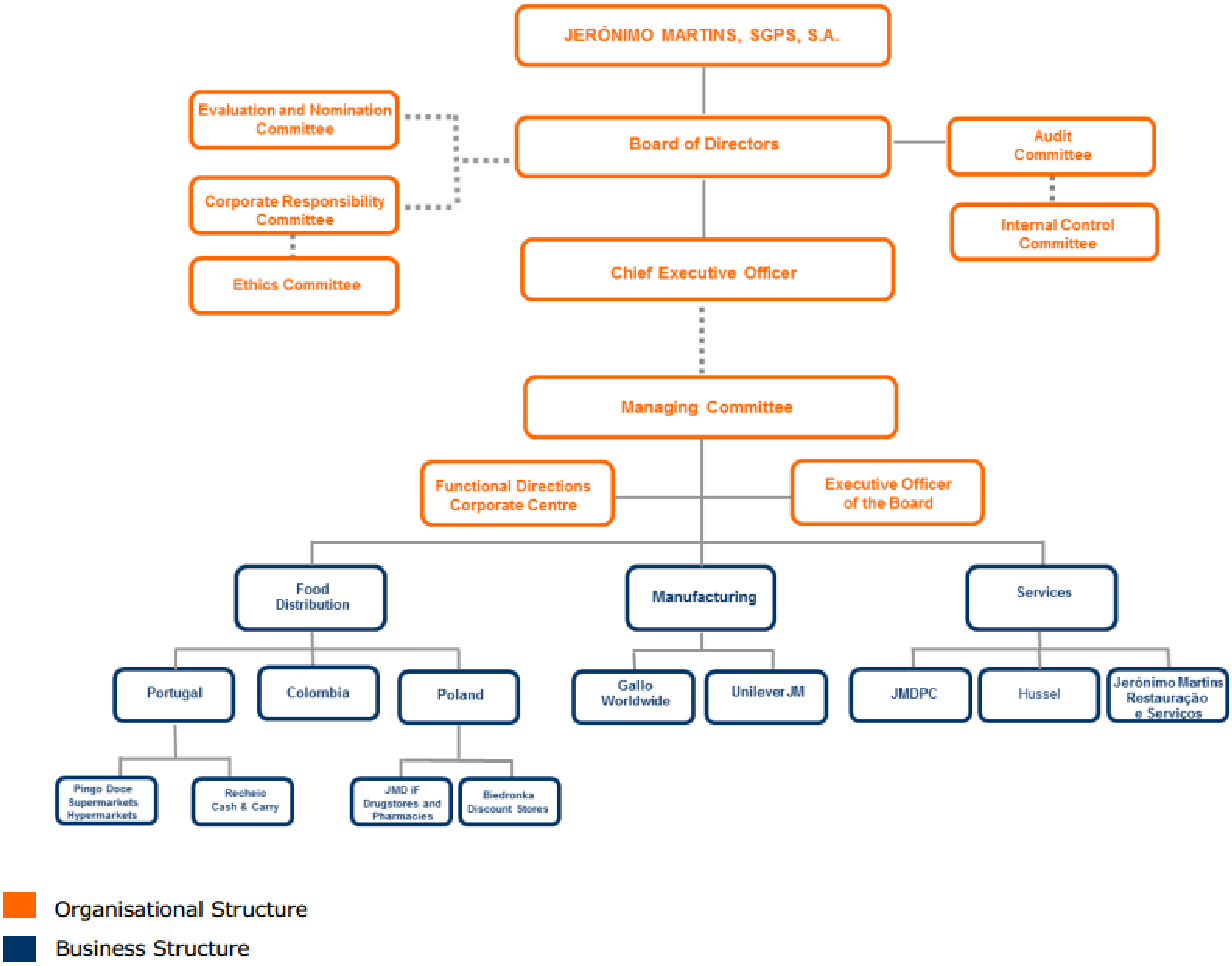
Source: own elaboration

Figure 7 Shareholder Struture



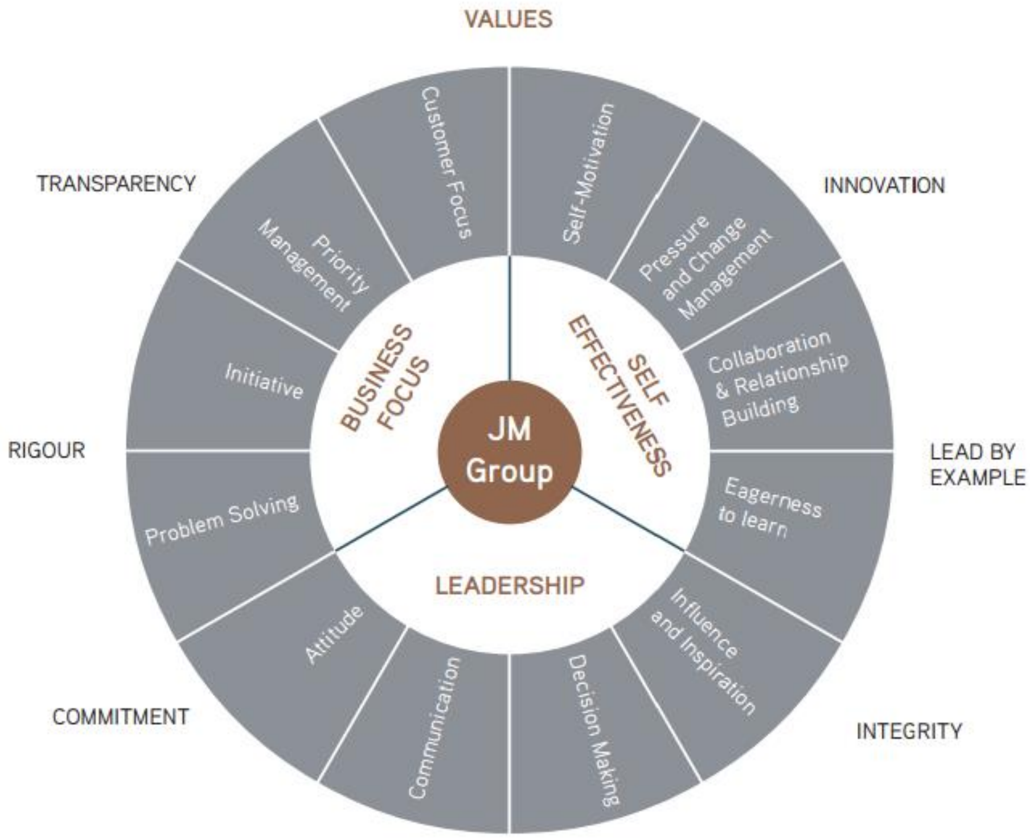
Source: Jerónimo Martins Annual Report 2012

Figure 8 Corporate and Business Structure



Source: Jerónimo Martins (2013)

Figure 9 Values and core competencies



Source: Jerónimo Martins Annual Report 2010