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REFRIGOR
THE RIPENING OF A FAMILY BUSINESS

BÁRBARA FERNANDES

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A Project carried out under the supervision of:

Alexandre Dias da Cunha

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Abstract

This case study is based on a real family business, Refrigor. Consisting of two parts, the first portrays the years previous to succession from first to second generation, where the family Chairman and CEO is faced with decisions regarding his involvement and the appointment of a successor in a crucial stage for the company.

Part B of the case showcases the evolution of the company post-succession, raising discussion about the impact of growth on the preservation of socioemotional wealth and respective implications on future succession.

Keywords: Family Business, Succession, Socioemotional Wealth, F-PEC Scale

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REFRIGOR – THE RIPENING OF A FAMILY BUSINESS

PART A

António Eusébio enjoyed his long walks at the fruit plantations on his lands in Moncarapacho, Algarve (Portugal) – sometimes alone, sometimes accompanied by his wife. In 1994, at 79 years of age, he still lived intensely the managerial activity of the Sumol Group– the largest non-alcoholic beverages group in the country.

Today for a change, he wasn't thinking about business. He had decided not to attend the board meeting in Lisbon this week: when he wasn't in favor of the motions, he thought that it was best for him not to interfere at all. In these moments, he decided to clear his mind and dedicate himself to his lands. Thinking back, he realized that there were very few moments in his life when he didn't have Sumol on his mind: even during leisure time, he lived his professional life intensely. This extra dedication allowed him to think ahead of time in many ways: he pioneered several initiatives at a national level, such as the fruit juice pasteurization process, the franchising model and PET packaging.

He did not like to be caught unguarded regarding any issues. Unsurprisingly, he had already given thought to who would succeed him in leading Refrigor. Yet, he was reserved and pondered. He did not rush into sharing his thoughts about succession – not even with his sons.

In a time in which the growth experienced by the group demanded for the restructuring of operations and corporate governance, António Eusébio had well present in his mind how important it was to have the right leader to steer the group into the right direction.

A Rough Start

Refrigor had gone a long way since its creation. If it hadn't been for António Eusébio's entrepreneurial spirit and perseverance, the company would most likely have succumbed in the late

40's, few years after its creation. He had convinced his mother, who lived with his father in Moncarapacho (their hometown in Algarve, Portugal), to invest in a juice and ice producing company located in the outskirts of Lisbon. When he realized that the company was severely struggling financially to the point of almost only producing ice, he felt the responsibility to intervene and to help Refrigor get back on its feet. Feeling guilty for inducing his family into a bad investment, he quit his job as an Accounting Sub Inspector for the Ministry of Finance and dedicated himself full-time to the rescue of Refrigor.

In the mid 50's, the soft drinks industry was going through a difficult period. Hundreds of companies were competing in a market largely defined by seasonality. According to the Official Bulletin of the Industrial Services, there were more than 400 small producers of soda lemonades and soft drinks. It was essential to innovate product and marketing wise. At the time, António Eusébio had a clear vision: to create a "natural soft drink". Believing that consumers would value natural and fresh ingredients, he set himself on a mission to create the most genuine product on the market. He studied books on the pasteurization of fruit juices and he accompanied the design and construction of the new production machines built for the purpose. By 1954, Refrigor was producing "*natural orangeade, a real orange orangeade*" under the brand Sumol[1], the first pasteurized fruit juice soft drink that protected fruit properties without the need for chemical preservatives. Apart from this twist on the product, António Eusébio introduced several other pioneering initiatives at a national level such as PET packaging, and attracted the Portuguese consumer's attention with groundbreaking marketing campaigns.

Under the holding company Refrigor, the Sumol Group was created. The latter grew through a series of companies – Sumolis, Cialbe, Sureno and Madibel – bottling companies with

[1]Sumol results from the junction of Portuguese words "Sumo" (juice) and "Sol" (sun).

different geographical focuses in Portugal. Through these, the group started franchising agreements with 7UP and later, through Cibal, gained exclusive distribution of Pepsi-Cola in the country. By 1971, the group increased its equity from 250.000 escudos to 2 million escudos.[2]

Under António Eusébio's proactive leadership, the Sumol Group preserved its pioneering character, taking risks but with cautious management of resources. He often says that if he had not taken risks when he launched Sumol, nothing would have been built. Isabel Costa, his secretary, describes his frugality: *"Once, when I went to my office, I found a paper note on my desk saying "Mind the lights!". He also told me to make use of the back of the calculator machine strips."*

The Sumol Family

António Eusébio's mission went beyond a successful product. The number of direct jobs that the Sumol Group had created – which reached almost two thousand in the 90s - was a source of immense pride for him, in particular in rural areas where alternative employment options were scarce. His concern with employees also reflected on the outstanding working conditions offered, with regard to the standards of the time. Benefits such as vacation and Christmas subsidies were offered far before required by law, and the company was among the first to create a complementary pension fund. Sumol was also one of the first groups to reward its top management teams with shares: António Eusébio strongly believed in this incentive as a means of aligning individual interests with corporate interests.

The Eusébio Family

António João Eusébio married late, at the age of 46, to Maria Amélia. He usually says,

[2] 250.000 escudos = 1247 euros; 2.000.000 escudos = 9975 euros

jokingly, that he married his company before he married his wife. For this reason, he calls himself a "grandfather-dad". He has two sons and one daughter: João (born in 1962), Amélia (born in 1963) and António (born in 1966).

His life is strongly dominated by the business, yet he never refrains from being a present husband and father. For instance, he tended to vacation in places close to production plants, allowing him to work while his family enjoyed the holidays. António Eusébio's belief and passion for the product passed on to his children, who are avid drinkers of Sumol until today. His dedication never went unnoticed in his children's eyes, who were involved in the business from a young age: *"He is working all the time. Even when we have lunch at a restaurant he is always looking into the drinks available, and making comments.",* commented João, the oldest sibling. António, the youngest son, cherishes one of his first contacts with the business, at the age of ten: *"I remember once during Christmas holidays helping out with the preparation of Sumol product gift bags that we used to give to our customers. It was a moment that marked me, my first presence in the SUMOL premises."*

Growing up, the Eusébio children had Sumol as an important reference for learning about merit and the value of work. Their father set things clear: when João asked him for his first car, he replied: *"You're going to have that car you have been asking for. We're going to buy it in instalments. And you are going to pay for them… You'll work at the company and your salary will be the amount of the monthly instalments".* João accepted his father's proposal and worked in sales for a year: "*In that one year I did the rounds of cafés and restaurants in Lisbon, from one end to the other. I got to know everything. And I liked the job."* he recalls.

In 1984, when the Eusébio siblings were still in university, António Eusébio decided to make them shareholders of Refrigor, assigning the same amount of capital to each one of them. António Eusébio never influenced his siblings to work in the business: he only encouraged them to pursue a higher degree of education, in a field that they felt passionate about.

By 1987, the three siblings were graduating from university: Amélia completed her bachelor in Chemical Engineering in 1986 and integrated Refrigor's quality control department immediately after. She eventually changed to Marketing and was now in charge of Marketing and Brand Management at Board level.

João finished his studies in Law and, after completing military service, also assumed functions at Refrigor, dedicated part-time and essentially to legal matters. He maintained his part-time involvement while teaching at university, also having become a Board member.

António, the youngest son, graduated in Economics and completed an MBA, also starting to work at Refrigor in 1991. He became a junior advisor to the Board and pursued a career mainly in finance and strategic management within the company. He was now Vice-Chairman of the Board.

Alongside the three siblings, there was an additional member of the family involved in the business: their cousin from their mother's side, José Tomaz Pires. José Tomaz, born in 1955, was older and started his career at the Sumol Group through a non-remunerated professional internship in his area, Mechanical Engineering. He continued his career in the company and was currently a member of the Board, working closely together with António on several pivot strategic projects. Overall, the two brothers and José Tomaz considered António to be the most fitting successor, given his academic background in management.

A Blooming Economy – Times of Change

The beginning of the nineties was particularly challenging for the fast moving consumer goods sector in Portugal. The economic landscape was undergoing several structural changes, financed by European Union funds. Logistic infrastructure was being revamped, accommodating the growth of big distribution chains and the creation of a single European market. This resulted in increased competition among European players. Although António Eusébio had sustained the Sumol Group's competitive advantage through market anticipation, this made him weary. In addition, Sumol had become listed on the stock exchange in 1987 and now had increased expectations from shareholders. These events, along with time, had made António Eusébio more risk averse.

In 1993, the Sumol Group went through an intense restructuring process, merging the five companies[3] that acted at a local level or regarding a specific activity, in order to start operating as a group at a national level. After this operational fusion, changes also took place within the Board of Directors: António Eusébio remains as chairman of the board, yet he now assumes a non-executive role[4]. He gradually went into an "active retirement" regime, starting to dedicate his time to his agricultural properties in Algarve. Apart from him, his son João is the only non-executive member, since he is dedicated part-time to the company. His son António, his nephew José Tomaz and Manuel Batista, a non-family director, were appointed as Vice-Chairman. Amélia was not involved in the board at this stage.

In general, decision making became more decentralized and time consuming. It is mainly done through board meetings, with extensive agendas which António Eusébio finds too bureaucratic, to the point that he stopped attending them. His oldest son João describes his centralizing decision making style: *"Especially until regular meetings of the Board were implemented, he had the final say on every decision. If things didn't go his way, he would rather not be involved at all."* In some cases, growth meant reversing or altering solutions which António Eusébio had worked hard on implementing years before. Nevertheless, his sons, who at this point

3 Sumol, Cialbe, Sureno, Madibel and Cibal – the five companies that covered continental Portugal.
4 A non-executive chairman is typically involved in policy making and planning exercises, with decreased involvement in day-to-day management activities.

were more actively involved in the decision process, always insisted in consulting him regarding the most important decisions taken. They did this in an informal setting, often having lunch with their parents at their home, which was close to the Sumol Group premises.

Casual Disclosures

Things had taken a natural course with the Eusébio family. Curious by their father's motivation and passion for the business, the three siblings had eventually decided to embrace a career at the Sumol Group. Although some more involved than others, all of them had found challenges that suited their profiles and areas of expertise. Despite their young age, they had found support and mentoring with more experienced members of the company. Overall, employees welcomed the siblings and interpreted their involvement as a sign of stability, prosperity and care for the business. Used to seeing the siblings around the premises, most employees grew great empathy for the family.

Aware of how at ease his children were in their functions, António Eusébio occasionally wondered if it was time for him to step down from Chairman of the Board. However, he had never openly discussed succession with his family. Even with António Jr., who was now vice-chairman of the board and assuming a leadership role, he had never – formally or informally – shared his expectations on who would succeed him as the leader. However, moments previous to the meeting in which the board was restructured and he transitioned to non-executive Chairman, he shared in an informal comment to non-family members: "*We are not a traditional family business. Unlike what is common, it is likely that the "benjamin"*[5] *of the family will eventually take my seat."*

[5] Expression commonly used in Portugal to refer to the youngest child.

Exhibit 1– Ownership structure of the Sumol Group - 1999

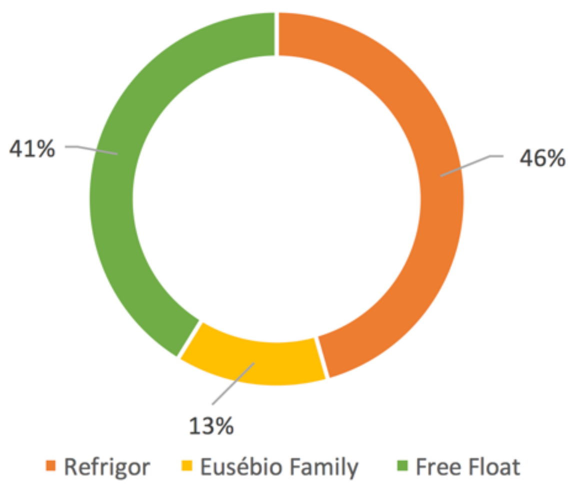

Exhibit 2– Constitution of the Board of Directors Sumol - 1999

António Eusébio – Chairman (non-executive)
José Tomaz Pires – Vice-Chairman
António Eusébio Jr. – Vice-Chairman
João Eusébio – Director (non-executive)
José Paulo Machado – Director
António Casanova Pinto - Director
António Barahona de Almeida - Director

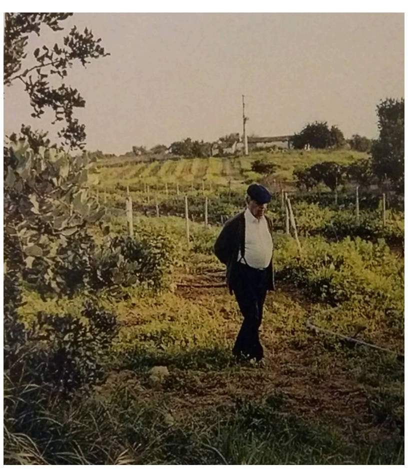

Exhibit 3 – António Eusébio taking a walk on his fruit plantations in Algarve

Exhibit 4 – Maria Amélia Eusébio and the three Eusébio siblings at the Sumol

Exhibit 5 – João 's first birthday, drinking Sumol

REFRIGOR – THE RIPENING OF A FAMILY BUSINESS

PART B

In March 2000, António Eusébio suffered a sudden heart attack, passing away at the age of 85. Until then, he remained highly involved with the Sumol Group: just one week before passing away, he had been discussing possible future scenarios for the company in the next five years. The entire company mourned the loss of an iconic and esteemed leader, who left a legacy that changed not only the industry but impacted many lives. Yet, he had maintained a reserved image outside of the company, as he was not particularly keen on media exposure.

The management of the Sumol Group was handed over to a management team that had been prepared for years, and of which his sons – António and João – were a part of. António, who was until now Vice-Chairman of the Board, was now appointed as Chairman. Amélia, who was until then in charge of Marketing at the Board of Refrigor, was co-opted as a member of the board in order for the latter to remain complete. João became dedicated to the group full-time.

The Sumol Group: natural products, inorganic growth

From 1987 to 2004, the retail industry in Portugal was undergoing changes: family businesses were no longer dominant in the market and multinational chains were gaining market share. The non-alcoholic beverages market was becoming increasingly competitive, with emphasis on product development and innovation. Nutrinveste, a group that owned Compal - a well performing player in the non-alcoholic beverages market - decided to sell the latter in order to focus on the edible oil business. Founded in 1952, Compal started off with the production of tomato products, then investing in fruit juices, nectars, soft drinks and sparkling water. Non-alcoholic beverages became the company's core commercial activity. It pioneered several concepts in Portugal such as fruit nectars and canned vegetables. Although similar in its history and size to the

Sumol Group, the company offered several complementarities as well.

The Merger

In 2008[6], offering a prize 1% above the other companies' proposals, the Sumol Group and Grupo Caixa Geral de Depósitos acquired Compal for a total of 365 million euros and estimated yearly synergies of about 10 million euros.[7] The acquirers had to contract a significant amount of debt for this operation, amounting to 240 million euros.

In 2009, the merged companies began their activity as SUMOL+COMPAL: *"It was the only way to gain dimension to face the competition"* argues Amélia, the middle daughter, "*because exports became essential as a means of growth"*. "*The symbolic return to fruit processing by the company itself was something that would have pleased my father immensely. It was also a daring decision, with a certain risk component, very much in his style*" believes António, the youngest son. José Paulo Machado, Advisor to the Board of Directors, shares that conviction: "*When António told me that the Sumol Group was going to bid for the purchase of Compal, I gave him a big hug. And I thought to myself that his father, António Eusébio, would be delighted with that idea."*

SUMOL+COMPAL

SUMOL+COMPAL, resulting from two leading and highly innovative companies with more than 100 cumulative years of experience, officially initiated its activity in January 2009. A "*merger of equals*" approach was adopted, with balanced incorporation of corporate elements from each group. With new elements in the Board of Directors, the Eusébio family decided to adapt its corporate governance model. Justifying their decision with the fact that they are majority

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[6] Although the merger process began at the end of 2005, 2008 was the year that the Sumol Group and Grupo CGD agreed on the terms for the merger of the two organisations.
[7] Grupo Caixa Geral de Depósitos eventually sold its part to the Sumol Group.

shareholders of the company, the Eusébio family members decided to transition from executive to non-executive members of the board, focusing on strategic decision making.

Portfolio wise, the SUMOL+COMPAL group owns top selling brands such as Sumol, Compal, B!, Um Bongo and Água Serra da Estrela. It also distributes international brands such as Pepsi, 7Up, Guaraná Antarctica, Lipton, Gatorade, Tagus and Damm. By 2015, the SUMOL+COMPAL owned brands were being sold in over 70 countries, with a sales volume of over 400 million liters that generated approximately 350 million euros in annual revenues and a total of 1,500 employees around the world.

In 2016, the group's original vision remains: "*being a source of nutrition, hydration, health and pleasure through fruit, vegetable and water based products*". The "*freshness of nature*" factor that António João Eusébio passionately instilled in Sumol several years ago remains as a core element of SUMOL+COMPAL's brand identity.

Internationalization at the Core

Present in over 70 countries and with consolidated activity in African countries such as Angola and Mozambique, it was with no surprise that in 2014 the company decided to take on a deal with the Castel Group, a global leader in French wine and the second largest player in the beer and soft drinks market in Africa. Through the deal, 49,9% of the SUMOL+COMPAL Marcas[8] shares were sold to the Castel Group, assuring that the SUMOL+COMPAL Group retains the right to elect the majority of the members of the Board. The decision was taken with the intent of fulfilling the company's winning aspiration: to lead the fruit and vegetable beverages market in Portugal, Angola, Mozambique and francophone Africa.

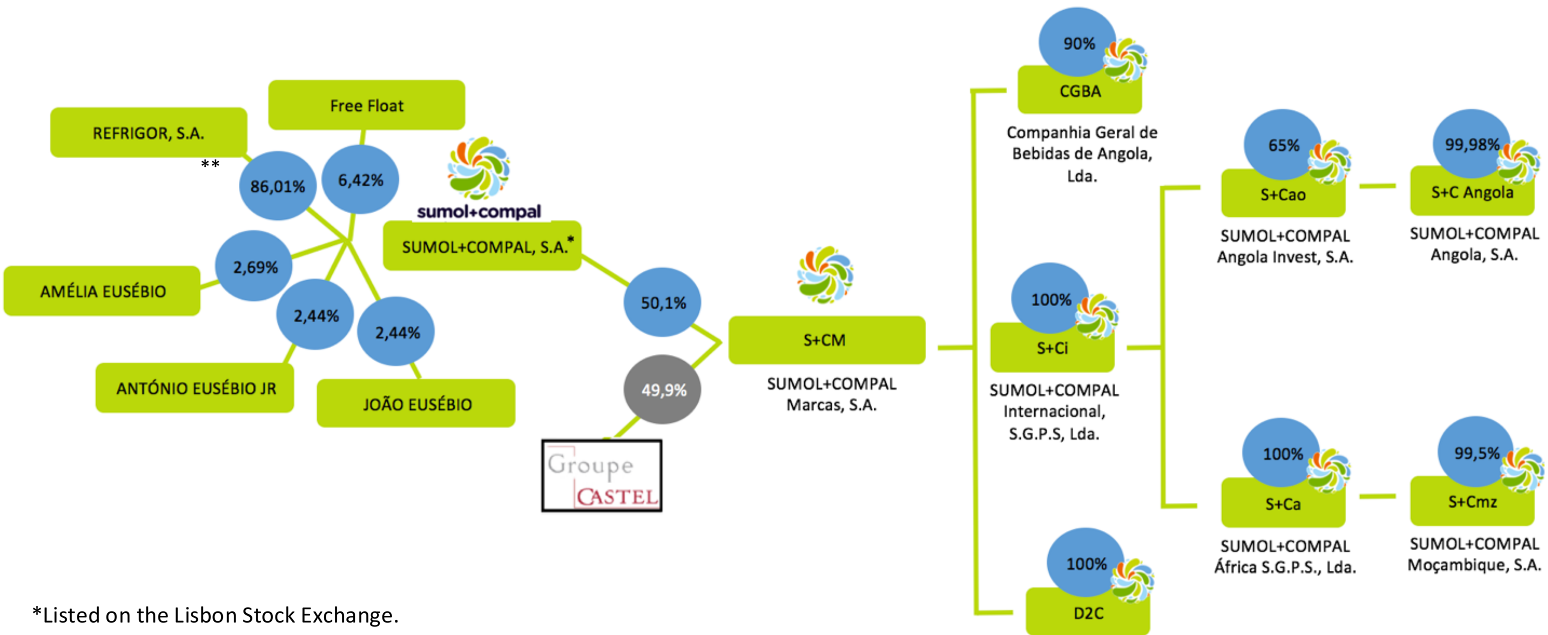
[8]For an understanding of the group's subsidiaries see **Exhibit 1.**

Harvesting Success

In 2016 innovation remains embedded in the DNA of SUMOL+COMPAL. Currently, more than 400 formulas are tested annually, with over 80 types of fruit, launching an average of 20 new products/concepts per year. Internationalization is also a path that was set early on by António Eusébio, through exports to former Portuguese speaking overseas provinces. Today, 30% of the sales of the SUMOL+COMPAL group derive from foreign markets. *"The future of the company lies in continuing to grow outside of Portugal. Essentially, it is giving dimension to the work of António Eusébio when, in the 50's, on his way to Algarve, he would nail boards saying "SUMOL" in every visible wall of the most bustling highways."* states CEO, Duarte Pinto.

At a national level, the group also performs well. António Eusébio Jr. had just received the latest Reputation Institute Ranking of the brands with the strongest reputation in Portugal. SUMOL+COMPAL ranked 3rd out of the national brands present in the ranking. Occupying first place was Delta, the leading national coffee brand in Portugal. He recalls a statement done by Pedro Tavares, CEO at OnStrategy, representing the Reputation Institute in Portugal in 2012: *"Delta has been reinforcing its position in the ranking. It's a family business. People understand that there is a story behind it."* Three years after, Delta remained in the leading position. António thought about how being a family business could be a competitive advantage for Delta in terms of brand reputation. He questioned himself whether SUMOL+COMPAL should leverage its reputation and brand awareness by being a family business. He wondered to what extent SUMOL+COMPAL was a traditional family business at all, and about possible future scenarios: would it remain a family business? The oldest of the six descendants of the three siblings were now initiating their university studies. Would any of them be interested in working in SUMOL+COMPAL, as their parents were?

Exhibit 1 – Ownership structure of the SUMOL+COMPAL Group– 2016



*Listed on the Lisbon Stock Exchange.
**The Eusébio Family is the majority shareholder of Refrigor, S.A.

Source: SUMOL+COMPAL Financial Report 1st Semester 2016

Exhibit 2 – Reputational Excelence Ranking – Portugal 2016

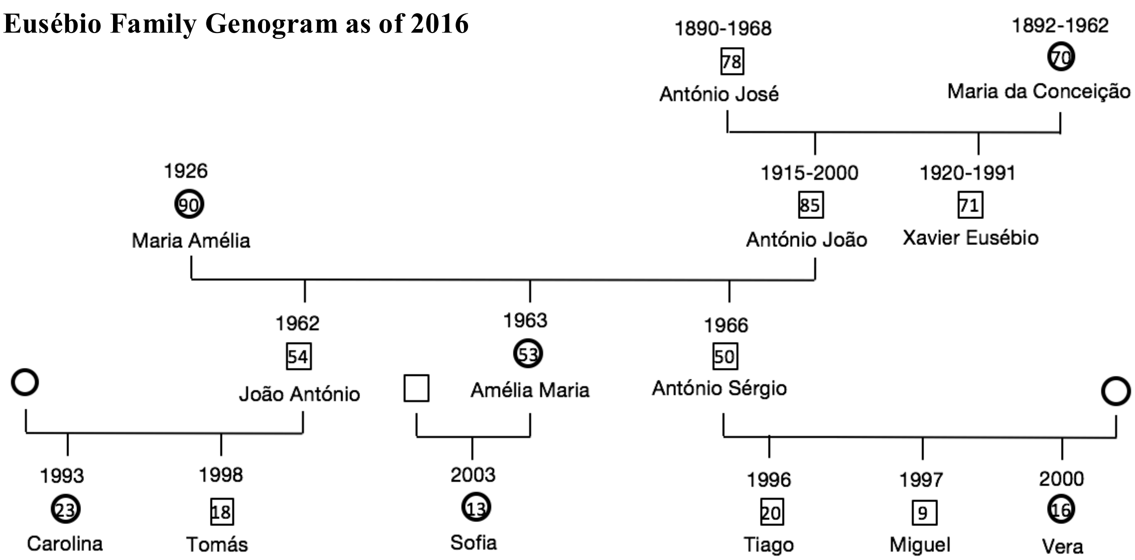
EXCELLENT BRANDS	2015	2016
GOOGLE	87,5	88,0
DELTA	85,6	85,9
NESTLÉ	84,7	84,6
SAMSUNG	80,7	81,7
RFM	80,3	81,3
SUMOL COMPAL	81,2	80,7
RÁDIO COMERCIAL	79,0	80,7
SONY	80,3	80,4
LUSO	80,0	80,6
IKEA	78,3	80,0

Source: OnStrategy & Corporate Excellence Foundation Portugal

Exhibit 3 – Constitution of the Board of Directors SUMOL+COMPAL - 2016

António Eusébio Jr. – Chairman (non-executive)
Duarte Pinto – CEO
Amélia Eusébio – Director (non-executive)
João Eusébio – Director (non-executive)
José Jordão – Director (executive)
José Tomaz Pires – Director (executive)
Rui Frade – Director (executive)

Exhibit 4 – Eusébio Family Genogram as of 2016



Teaching Note

Overview

In Part A, the proposed discussion for this case raises questions regarding succession planning from the 1st to the 2nd generation of the family, asking students to perform an analysis of critical factors and challenges and to suggest a course of action according to the applicable succession theory.

Part B of the case portrays the evolution of the group post-succession, where growth leads to a series of strategic decisions that impact the company's management, ownership and structure. Questions are raised regarding the future of the company as a family business, namely regarding the preservation of socioemotional wealth and the level of family influence.

Target audience

This case is recommended for courses within the Family Business scope at an undergraduate and graduate level. For complete analysis, students should be familiar with the following concepts: the concept/definition of family business, succession planning, the F-PEC scale, the family business lifecycle and the concept of socioemotional wealth.

Learning objectives

- Discern the particularities of succession planning in complex circumstances
- Examine where the group stands as a family business according to the F-PEC scale of family influence, and how it could further leverage the "family" factor
- Reflect on the impact of company growth on the preservation of socioemotional wealth
- Discuss ways of leveraging SUMOL+COMPAL's brand image as a family business

Discussion Questions – Part A

1. **Identify the critical factors and challenges regarding succession planning at SUMOL+COMPAL.**

As one of the first elements mentioned in the case, students should discern a transforming economic conjuncture, with significant impact on national infrastructure, altering Refrigor's competitive landscape. An analysis of the family's development stage should be performed, identifying that the significant age gap between generations ultimately leads to an atypical situation where there are blurred boundaries between the "*Working Together*" stage and the "*Passing the Baton*" stage: when the two generations are working together, the senior generation is already at an age typically characteristic of the "*Passing the Baton*" stage, disengaging from the business (Gersick et al. 1997).

António Eusébio's character and leadership style are also decisive factors in planning for succesion. His strong character and high level of involvement can represent a challenge in finding an equally charismatic leader, creating the *"shadow of the founder"* effect for future successors (Poza 2007). In addition, António Eusébio's power centralizing leadership style is leading to his own disengagement, as he feels less motivated with a collegial approach on decision making. Leaders with this type of profile can often be reluctant to step away from power, possibly resulting in a "*Monarch*" exit style, in which the incumbent leader does not step away until forced or dead (Sonnenfeld and Spence 1989). The fact that António Eusébio remains as Chairman of the Board despite his disengagement can possibly reveal an inclination towards this exit style. The keenest of students may feel challenged to elaborate on a new exit style, where the family Chairman/CEO remains in power yet chooses to disengage himself when his will is not fulfilled. In class discussion can develop by establishing a name for this type of exit style.

Students should also note that since there is an expectation for António Eusébio Jr. to succeed given the suitability of his background, succession planning is lacking thus far.

2. **In António Eusébio's position, what decisions would you take concerning the leadership and ownership succession of the company at this point?**

Although António Eusébio was not the initial founder of the company, his early involvement and rescue of Refrigor gave him a similar status. He continues to live the business intensely, despite changes in his engagement. Yet, he seems to deposit a high level of trust in his management team and in particular in his son António, to whom he delegates projects of high strategic importance. Accordingly, it would be reasonable for António Eusébio to adopt an *"Ambassador"* exit style, leaving willingly and assuming the role of a company advisor and allowing others to learn the business first-hand and then eventually manage it. This would allow him to keep a level of involvement in the company holding on to diplomatic or representational duties on behalf of the group (Sonnenfeld and Spence 1989).

Regarding the potential successor, António seems to have several characteristics that fulfill the profile of a successful successor. Apart from his academic background in management, António Eusébio Jr. displays an *affective* type of commitment to the business, seeing the firm as the most desirable of opportunities (Sharma and Irving 2002). In addition, the Eusébio siblings seem to agree that António would be an appropriate choice given his academic background. Nevertheless, his juniority could be considered a restraint in planning for succession. Appointing a very young CEO could possibly result in resentment from more senior members of the management team and older siblings. Although António received great support in terms of coaching and mentoring from the different members of the management team including his cousin José Tomaz, appointing an interim CEO could be an option to consider when the next generation needs more time. Ownership distribution among siblings is also an important point to mention: distributing voting shares equally among descendants can erode the successor's ability to lead (Poza 2007). So far, all three siblings have had equal stakes on the company. Having identified António Eusébio Jr. as a potential successor, linking his performance to his stake in the company would have helped to leverage his interest in leading the company.

Students should also mention the importance of succession planning, referring to basic steps involved in the process, such as: : 1) defining and sharing a vision for a future without the founder 2) selecting and training the successor as well as a management team 3) outlining the process through which the transfer of power should occur 4) creating an estate plan that specifies how family assets and ownership of the enterprise should be allocated among family members 5) preparing an adequate corporate governance structure (family council, management team, board of directors 6) educating the family to understand the rights and responsibilities associated with possible future roles (Handler 1994).

Accordingly, a contingency succession plan can be important in a situation in which the owner-manager is of advanced age (Lansberg 1993). In particular, in this case where there is also the issue of Antonio's juniority, it would be precautious to hold an alternative plan. Being a listed company, this would also provide shareholders some reassurance that succession occurs with little disruption of business performance.

Discussion Questions – Part B

1. **Elaborate on the level of family influence in SUMOL+COMPAL in 2016, taking the F-PEC scale as a reference.**

The level of family influence in SUMOL+COMPAL can be discussed under the light of the three dimensions of the F-PEC scale: power, experience and culture. Under the power dimension, a family "can influence a business via the extent of its ownership, governance and management involvement" (Astrachan, Klein, and Smyrnios 2002)**.** With regard to ownership, the Eusébio family currently holds a total of 7,57% of the SUMOL+COMPAL group through direct ownership and 86,01% through Refrigor, the holding company (see **Exhibit 1**). Despite the sale of 49,9% of the shares of SUMOL+COMPAL Marcas to the Castel Group, the SUMOL+COMPAL group retains the right to elect the majority of the members of the Board. Thus, family influence through ownership is high. As for the level of family influence through governance and management – measured by the number of family members in the governance or management boards – the level can be considered medium: since the merger with Compal, the three Eusébio siblings became non-executive members of the Board, their main role being to supervise and evaluate the activity of executive board members. Therefore, their involvement in day to day management has decreased significantly. Nevertheless, influence through ownership can overall be considered high. As for the experience dimension of family influence, it can be argued that "the level of experiences gained from the succession process is greatest during the shift from first to second generations. During the first generation of ownership, several new rituals are adopted. Thus, second and subsequent generations of ownership contribute proportionally less value to this process." (Astrachan, Klein, and Smyrnios 2002). The Eusébio family scores high on this dimension, not only for being the second generation but also due to the fact that all members of the generation are involved in the business – in ownership, management and governance. Lastly, the culture dimension of the F-PEC Scale can be evaluated according to two axis: family business commitment and overlap between family values and business values. Family business commitment can be considered high among all siblings, who started and pursued their entire career within the group. Although there seems to be some alignment of business values with family values seen in Duarte Pinto's will to give dimension to António Eusébio's work[9], there seems to be no further reference to the family in the corporate culture of SUMOL+COMPAL. Students should grasp this also by exploring the corporate website.

Overall, power seems to be the strongest dimension with regard to family influence, mainly through ownership. The experience dimension is assured through the involvement of all siblings in the company, and the culture dimension is less accentuated and likely influenced by the inorganic growth of the company, as well as the increase in shareholders: being listed on the stock exchange may make it less easy for the family to impose its values. Students may also recognize that family influence may be compromised if the future generation chooses not preserve its involvement in terms of ownership and management (power and experience dimensions), since family influence on culture already seems to have decreased.

2. Describe the typical Socioemotional Wealth patterns applicable to the SUMOL+COMPAL case, identifying changes from the first to the second generation. Discuss how this evolution could impact the level of engagement of the third generation in the business.

From the reading of "The Bind That Ties", students should be able to apply the SEW patterns (the pursuit of nonfinancial utilities or "affective endowments" typical of a family business) to the case, as indicated in **Appendix 1** (Gómez-Mejia et al. 2011). Post-analysis, students should be able to discern that SUMOL+COMPAL reveals several examples of atypical behavior from a SEW perspective, with main changes from the 1st to the 2nd generation occurring within professionalization (introducing more formalized procedures), risk taking, the role of the board

[9] See "*Harvesting Success*" section of the case

(change from executive to non-executive involvement of the family) and the presence of nonfamily shareholders (refer to **Appendix 1** for further detail).

Regarding the third generation, although the latter might be attracted by the dimension of the group as well as its innovation and internationally driven culture, its contact with the company is not as intensive as the second generation. The changes in the factors previously mentioned (professionalization, risk taking, role of the board and non family shareholders) will likely result in more collegial and result oriented decision making rather than the pursuit of nonfinancial utilities typical of family businesses. In addition, the merger with Compal may have decreased the "*name on the door*" effect, impacting the level of commitment of the descendants to the business: they may feel that their presence is no longer crucial for the continuity of the group. Ultimately, it may also change their attitude with regard to the ownerships, possibly increasing the predisposition to sell their stakes in the group.

3. Taking the previous answers into consideration, elaborate on why SUMOL+COMPAL is not primarily perceived as a family business and suggest ways in which the firm's reputation could be leveraged, as questioned by António Eusébio Jr.

Students should be able to identify that some of the atypical SEW behaviors observed in SUMOL+COMPAL result in the development of a more professionally oriented firm. In fact, SUMOL+COMPAL can be classified as a Professional Family Firm, according to Dyer's Typology of Family Firms matrix. In this type of firm, both family assets and agency costs are high, as it attempts to formalize control systems and monitor management. "This typology is particularly characteristic of firms where the family maintains significant ownership but relies on professional managers to run the enterprise"(Dyer 2006). The fact that SUMOL+COMPAL is a publicly listed company has contributed significantly towards a results driven culture since the 80s. Later on, the shift of the Eusébio family from executive to non-executive functions was also a further step in the same direction. Delta, on the other hand, is not listed in the stock exchange and the Nabeiro family is still heavily involved in executive management.

The fact that the group sold 49,91% of the SUMOL+COMPAL Marcas shares to the Castel Group has also diluted ownership and management control. Although the family still remains highly involved in the business, and António Eusébio's vision is a part of the brand's identity, SUMOL+COMPAL seems not to be perceived primarily as a family business. In this sense, efforts could be done in order to emphasize the history of the family business in corporate communication, and in particular portraying António Eusébio's highly aspirational figure and his social concerns.

From the suggested consultation of each brand's website, students should notice the contrast between Delta and SUMOL+COMPAL's corporate communication: while on the first the figure of the founder is a strongly present element, in the second it is nearly inexistent. The fact that António Eusébio did not favor his own exposure was an important limitation in leveraging the reputation of SUMOL+COMPAL as a family business. In addition, the fact that the Sumol Group decided to adopt a "*merger of equals*" approach when it acquired Compal means that the group should be cautious not to have the history of Sumol dominate corporate communication. Nevertheless, the marketing of the brand could adopt a storytelling approach, showcasing the impact of Sumol on the country throughout the years, and highlighting the persona of António Eusébio as an embodiment of SUMOL+COMPAL values and heritage. Yet, talking about the family's legacy is not enough: there should be a link to the present, showing customers how they can benefit directly from the know-how or values that have been built over time (Astrachan and Binz 2015).

Among other brands, students can access the HiPP organic baby food website (see **Recommended Materials**), an example of how being a family business represents a key element of brand identity: by developing a product aimed to aid the nutrition of their own children, the founding family signals trust and empathy with the consumer. Browsing through the company's website, students can acknowledge the presence of a section names "*We are a family business*", clearly considering it an asset regarding corporate communication, signaling quality and prosperity.

They may also recognize from the reading materials that scholars agree that the concept commonly referred in literature as "familiness" is considered a unique feature of family businesses, influencing their opportunities and brand identity (Tagiuri and Davis 1992). Accordingly, "a good family name is a powerful brand and can communicate strong values such as trust, integrity, reliability to the consumer; for many customers, it is a choice-editing tool in a crowded market. While not all family firms can engage in 'personal facework connections' with their customers, where it is possible to do so, owners should capitalize upon this opportunity" (Carrigan and Buckley 2008).

Appendix to the Teaching Note

Appendix 1 - Discussion Question 2: Identifying SEW behavior in the SUMOL+COMPAL case

Typical SEW Patterns	Application to the case
Management Processes	
Succession: desiring to transfer the business control to the next generation, constraining the pool of potential successors.	Although António Eusébio's reserved character made him refrain from openly discussing his thoughts on succession, it was clear that he would be glad to have António as a successor. **SEW classification:** ◕
Professionalization: reluctance to professionalize the organization through the introduction of more formal management structures	Professionalization of the SUMOL+COMPAL has become gradually higher. The fact that the company became public early on (in 1987), contributes towards the adoption of a results driven approach and more formal and well defined procedures. **SEW classification:** ◔
Human Resource Management Practices: family firms tend to have less formalized HR policies, emphasizing seniority as a criterion for promotions and placing greater weight on non-monetary rewards.	António Eusébio instilled in the group a great care for employees and equalitarian opportunities. Emphasis does not seem to be put on seniority, at least in António's case. In addition, monetary incentives were shares were distributed to top performing managers. As of 2016, HR policies are highly formalized. **SEW classification:** ◑
Strategic Choices	
Risk Taking, Corporate and International Diversification: family firms tend to be more risk averse, with less international diversification than non family firms, and usually engaging in corporate diversification in order to decrease risk.	António Eusébio mentioned that great part of the group's evolution is owed to this risk-taking behavior. The group has had an international and innovation driven orientation from the start. However, António Eusébio does seem to have become more risk averse with age, and the professionalization of the company contributed towards the moderation of risk taking behavior. **SEW classification:** ◑
Debt: Agency logic suggests that family firms are less likely to use debt and suffer the underlying risks.	Although António Eusébio was not risk averse, he was frugal in what came to resource management. Yet, he did not miss the chance to make a deal that would take Sumol to the next level, reason why his successors and acquainted managers did not hesitate on the decision to merge with Compal – despite the high level of debt required. **SEW classification:** ◔
R&D Investment and Technological Diversification: these can threaten the family principal's socioemotional wealth by asking the family to invest significant resources in an unknown outcome	As mention in the previous point, the merger with Compal reveals that the group is not averse to acquisitions. R&D is one of the strongest areas of SUMOL+COMPAL, pre and post merger – with high emphasis on product development and innovation. **SEW classification:** ○
Organizational Governance	
Role of the Board: prevalence of family members on the board	The prevalence of family members and the centralized decision making style of António Eusébio can be appointed as a typical SEW behavior, despite recent changes in the family's executive roles. **SEW classification:** ◕
Stakeholder Relationships	
CSR: family firms tend to exhibit higher levels of corporate social responsibility and good community citizenship.	António Eusébio has revealed early on his care for the employees and local communities. Impact on job creation is seen as an important driver. Today, sustainability and CSR remain as pillars of SUMOL+COMPAL's brand identity. **SEW classification:** ●
Business Venturing and Contingency Variables	
New ventures and entrepreneurship: the preservation of socioemotional wealth is likely to restrict new ventures in family firms to core-related activities.	The family always showed receptiveness towards new ventures, in particular by diversifying its product portfolio, yet staying within the beverages category. **SEW classification:** ◔
Presence of nonfamily shareholders: as nonfamily entities gain ownership in publicly traded firms, some research suggests that the family must compromise between its wish to preserve socioemotional wealth and other investors' desires.	Prior to the transition to the second generation, the group became more result driven when it entered the stock exchange in 1987. Reporting to shareholders reduces the impact of socioemotional wealth, increasing financial considerations. **Contingency variable with a negative impact on SEW.**

Scale: ○ = does not fulfill typical pattern; ● = completely fulfills typical SEW pattern

Teaching plan

The teaching of this case should be done through the course of two teaching sessions of approximately 90 minutes each. Prior to the first session, students should be asked to read part A of the case and to reflect on the respective discussion questions. The first session should start with a brief summary of the case and main issues identified, then moving on to each of the discussion questions relative to Part A. Students should be asked to voluntarily share their own insights on each question, generating discussion among the class. The instructor should then share his answer with the students, allowing for clarifications. At the end of the session, students should be given access to Part B, reading and preparing it as they did with Part A. The instructor should also invite students to visit SUMOL+COMPAL and Delta's corporate websites so that they can grasp each brand's corporate communication. The second session can start with a brief summary of Part A followed by a discussion of Part B, adopting the same method of discussion adopted in the first session.

Recommended Materials

- Poza 2007: Comprehensive book covering all topics except Socioemotional Wealth
- **Part A; Question 1 and 2**: Gersick et al. 1997– The life cycles of the family business + Sonnenfeld and Spence 1989 – exit styles of patriarchs in family firms + Sharma and Irving 2002 – Family business successor commitment
- **Part B; Question 1**: Astrachan, Klein and Smyrnios 2002 – F-PEC scale of family influence
- **Part B; Question 2**; Gómez-Meija et al. 2011 – Socioemotional wealth preservation in family firms + Lansberg 1993 –Twelve tasks in succession
- **Part B; Question 3**:Dyer 2006 – The family effect on firm performance + Astrachan and Binz 2015 – Family business branding + Tagiuri and Davis 1992 "Familiness" + Carrigan and Buckley 2008 – "Familiness" + Hipp Organic Baby Food Corporate Website

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