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THE INTERNATIONALIZATION OF FAMILY FIRMS

JERÓNIMO MARTINS´ EXPANSION TO COLOMBIA

FRANCISCO MARIA DO CANTO DE NORONHA VIGOUROUX
4310

A project carried out under the supervision of Alexandre Dias da Cunha

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Abstract

The internationalization of family businesses is a relevant topic in a global-oriented society, and the increasing interest in this field is expressed by a significant expansion on the number of research papers published recently. In fact, family firms are spread around the world and they have an unquestionable role in the functioning of global markets. This work project introduces, analyzes and summarizes the best practices responsible for family-driven internationalization. The case of Jerónimo Martins Group, a Portuguese-family business (FB) leader in the food retail and wholesale industry, is used to evaluate the impact that family-owned firms´ characteristics may have on their internationalization in a real-life scenario. It not only aims to verify if the theoretical frameworks suit in practice, but also tries to discover how FBs can optimize their resources and particularities, obtaining a competitive advantage in terms of internationalization. The family firms should exploit their advantages, while trying to correct and surpass their difficulties and disadvantages, in order to succeed in this kind of operation. Benefiting from their familiar dimension, FBs are better positioned to internationalize if they can optimize the characteristics that differentiate them from the others.

Keywords: Family Business, Internationalization, Grupo Jerónimo Martins, Competitive Advantage, Determinant Factors, Best Practices.

Introduction

This work project aims at outlining the best practices and growth factors required for the internationalization process, concretely the determinant ones that allow family-firms to do it properly. Besides that, it will provide an explanation of how FBs can benefit from the application of those required tools, and to what extent they will benefit from obtaining a comparative advantage. This dissertation is divided into three main parts.

First, this paper will conduct an objective analysis of the **theoretical frameworks**, related to this field of study, namely *family-business* and *internationalization*, concepts whose understanding is fundamental to a full-comprehension of the dissertation. Additionally, the project will highlight the generic motives for internationalization for all firms, as well as its most common consequences. Then, it will focus on the specific case of FBs: their particular aspects (constraining and facilitating factors).

Second, this dissertation will focus on the research subject – **Grupo Jerónimo Martins (JM)**. This section will be divided into two sub-parts. Primarily, the paper will show the company overview, describing the history of the group – evolution, and growth. Following that, the Portuguese and the Polish economies and retail industries will be analyzed.

Third, the paper will concentrate on the family-internationalization binomial relationship, establishing a **bridge between the theoretical frameworks and the real-life case** of JM international expansion to Colombia. The objective is to scan the inherent steps of the group´s internationalization process. This chapter will be divided into two parts. The first one is related to the selection process adopted by the group. The second part focuses on verifying if the proposed best practices have a positive impact in practical terms, therefore it will assess the empirical application of theoretical research-papers developed until now, in the specific case of JM. In addition, it will be evaluated the capacity of JM to capitalize its resources, stressing the importance of the group´s inner characteristics and strategy.

1. Theoretical Frameworks

1.1. Family-business and Internationalization

Nowadays, FBs are the most common type of business organizations worldwide (Leach, 2007; Melin & Nordqvist, 2007), being crucial on conducting economic growth all over the world (Zahra, 2003). During last decades, there was not one standard definition of FB in the academic literature (Sharma, 2004), due to the multiplicity of empirical and theoretical studies developed by practitioners and researchers, which often lead to diverse positions. Bearing in mind the importance of this concept, this paper will emphasize some useful views regarding it, to enable a better understanding of family-owned businesses.

Family firms are organizations that are owned and usually managed by a family who controls them (Shanker and Astrachan, 1996). They have a leading role in terms of contribution to wealth creation, job generation, and economic growth (Westhead & Cowling, 1998), and they are firms in which one or more members of the family own at minimum 50% of the firm´s shares, being perceived to be a family business by their CEO (Westhead & Cowling, 1999). Gallo and Sveen (1991, p.181) defined it as a "firm where the family owns the majority of the stock and exercise full managerial control".

Furthermore, the conceptual spectrum of this field possesses more complete and stringent definitions, namely one which states that a FB requires: the control of one family group, through an explicit larger part of the ordinary voting shares; the family´s representation on the management team; and the perception of the business to be a family-owned one, by the main family representatives. Another popular definition implies: the president or CEO to be a family member; the employment of family members; and the managers´ recognition of the business as a FB (Holland & Boulton, 1984). Then, in 2005, Leone labeled that there are three main topics that must be taken into account when defining a FB: the ownership, because the family have to be the owner and controller of the majority of capital; the management of the company, arguing that family-members must occupy top places of the company, being involved in the strategic decisions of the firm ; succession, concretely the fact that the will of continuity must be observed in the succession process, that is to say, generations should occupy the positions of their relatives. This point of view was previously supported by Gallo (1995) and later corroborated by Astrachan et al. (2002).

The European Family Business Group tried to surpass the complexity of this issue, reaching a consensus in 2008, in what regards FB notion. However, the restrictive proposal combined ownership, management, and shared property concepts, although it forgot the desire for continuity and the passing on to future generations. In this line, a FB may be accepted as a business owned by members of one or more families, who share management responsibilities and have the intention of passing it on to future generations (Gallo, 1995; Astrachan, Klein & Smyrnios, 2002), encompassing the perception of leading family representatives that the business is a family firm.

On the other hand, in a globally-oriented environment, the markets are increasingly competitive, therefore many FBs adopt some measures to survive, namely expanding internationally. For this reason, internationalization is an important concept that must be correctly defined. It is a strategic decision which is globally accepted as "(…) the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future and establish and conduct transactions with other countries (…)" (Beamish, 1990, p.77). In other words, it is a "(…) process of initiating, developing, and maintaining international business relationships (…)" (Johanson and Vahlne, 2009). It integrates internal and international activities. Moreover, Graves & Thomas (2008) suggested that it is one of the most relevant procedures that, if done adequately, allows firms to grow and develop. Other authors defined it as the outward movement of a company whose purpose is to compete in an international environment (Zeng, Xie, Tam & Wan, 2008). After defining these two major concepts, now it is time to connect them, therefore, as Hamilton (2016) affirms, the internationalization of FBs is a dynamic and incremental learning process.

Nevertheless, the internationalization of FBs remains an underdeveloped field of research, despite increasingly becoming more significant. FBs experience specific limitations to expand internationally (Graves & Thomas, 2008), but they hold diverse unique assets and skills that can be used before, during and after doing it (Okoroafo, 1999; Zahra, 2003). Hence, not only FBs but also non-FBs have motives and incentives to internationalize, but the inherent characteristics of FBs set up a singularity on their behavior, capabilities, and methods, which influence this complex process.

1.2.General Motives and the Internationalization process

According to literature, FBs stand up to a paradox. Family-owned businesses are confronted with two opposing forces. On the one side, they are encouraged to grow and expand internationally to stay competitive. On the other side, they aspire to maintain stability by keeping on the development of low-risk operations on their home regions, since they are engaged and rooted in their conventional product market. Literary studies suggested that the second force seems to be predominant over the first, therefore, Okoroafo (1999) suggested that FBs are less disposed to go international. Nevertheless, Kachaner, Stalk, and Bloch (2012) showed that 49% of FB sales revenue accrue from outside their domestic market. This happening is verified only 45% of the times on non-FBs. In this line, many FBs overcome this dilemma and align their management in order to effectively balance their local character while going global.

There are two motivating vehicles for internationalization: proactive and reactive reasons (Czinkota and Tesar, 1982). The first category is a consequence of the company´s internal environment, it begins inside the firm, and incites managers to pursue the entry on foreign markets. An example of a proactive motivation is when a firm seeks high-growth markets abroad. The second class is a result of the external environment that involves and surrounds the firm, being typical of companies whose managers are not concerned with international opportunities. In this case, the internationalization is a reaction and adaptation to external changes. An example of a reactive motivation is when a firm follows major customers abroad. In addition, there are two ways of running this process: **a) foreign direct investment** – the company directly invests its capital in an international market; **b) exporting** – the company manufactures at its home-country, despite selling its products outside. In effect, this paper focuses on foreign direct investment.

Being this said, there are several reasons that explain the desire of a company to enter foreign markets. In truth, the rationale includes: **a) market seeking motives**: the obtention of access to new markets or opportunities; the chance to follow key customers; the competition with key rivals in their own markets, and the capacity of exploiting market niches; **b) resource or asset seeking motives**, namely the access to raw materials, and the gaining of extra knowledge, resulting from technological and managerial know-how available in a key market; **c) efficiency seeking-motives**, such as the reduction of sourcing and production costs, the opportunity to locate production near customers, the chance of taking advantage of government incentives, and the opportunity to avoid trade barriers.

In other words, the financial objectives of maximization and growth, as well as management-efficiency intentions are the most crucial reasons. Companies demand to enlarge not only the short-run profitability but also the long-run profit, by seeking low costs production. Financial prosperity grants the preservation of shareholders´ returns. Firms attempt to reach an equilibrium on growth, maximizing and optimizing their use of resources. Managers are usually focused on mitigating the risk, therefore they must diversify. The turnover improvement is other concern. Moreover, the need to be kept away from the saturation of the national market and the desire to target new markets that allow the achievement of larger scale economies (Lee, 2002) are other determinant factors. Previous research identified three main classes of key incentives that justify and influence the firm likelihood to venture into the international marketplace (Graves, 2008): **a) the degree of commitment respecting internationalization**; **b) the availability of financial resources**; **c) the capacity of being dedicated** and the propensity to use the financial resources to take advantage of the required capabilities. As observed in some research projects, a firm has more tendency to expand internationally if the owners have a global vision, therefore the values, qualities, and education of the owners usually have an impact on the way they proceed.

In terms of the process of selecting potential target markets there is a classic suggested 4-step exercise (Gomes, 2017). In the first place, the company ought to select indicators and collect data. Then, it should settle the significance of country indicators. Afterwards, it is fundamental to establish a rating for the countries on each indicator. The last step requires computing an overall score for each country. There are several criteria that companies must use in order to evaluate the industry market potential, specifically the economic freedom, country risk, infrastructure, market intensity, market size and long-term growth prospects, business environment, government incentives, consumption capacity, cultural similarity, cost of doing business, barriers to entry the market, etc. Nonetheless, according to recent literature, the features of each firm, that is, its strategic orientation and ownership structure impact the specific regional choices and international expansion modes (Filatotchev *et al.*, 2008).

The entry modes also depend on specific firm characteristics, but also on the specificities of the new country, laws, social context, market dynamics, norms, religion, ethics, culture, and so on. This dissertation will focus on the wholly-own subsidiary firm (WOS), attending that the greatest part of literature defends that this is the preferred option for FBs. This is the most archetypal scenario on firms that want to coordinate and control their unique assets and supply chain (Kutschker and Baurle, 1997). Due to their preference for privacy and control, researchers point out that FBs must choose this way since FBs intent to favor internally generated equity, feeding their wish of control. In the same way, the FBs reluctance and skepticism to share their knowledge with people from outside the business leads them to decide on WOS (Hess, 2006).

In respect to the internationalization consequences, the effects from venturing overseas arise in the medium to long run. From a financial-based perspective, there is an extensive set of outcomes, that include the possibility of improving the financial performance, the number of sales and asset growth. The risk management will also increase, as well as the firm´s value. There will be a decrease not only on financial resources strain but also on the significance and effect on domestic market share. The reduction of losses from competitor imitation is another financial aftermath. From a non-financial view, the international growth on FBs can be responsible for the enlargement of a firm´s global outlook, and its universal competitiveness. The expansion of a company´s knowledge and the extension of its managerial capabilities will result on the multiplication of its capacity, expertise, and operations. The internationalization can provide an improvement of capacity, quality and competitiveness, contributing to a strong brand reputation. All in all, there are countless features of the internationalization process, so in the next section this paper provides an analysis according to a FB perspective.

1.3. FBs characteristics

a) culture and human capital - Ward (1987) argued that culture is the factor that has the biggest influence on FBs. Cerrato & Piva (2007) considered that human capital is essential to exploit business opportunities, attending that it includes human resources, skills, appropriate training, entrepreneurial mindset, expertise, abilities and education, pivotal factors to stimulate the promotion of a globally competitive strategy. FBs are often seen as conservative towards risk, inward-oriented and resistant to change, attending that the fear of losing family domination leads non-family members to be not easily accepted (Hall, Melin & Nordqvist, 2001). These features could affect proactiveness and international opportunities exploitation. In other words, FBs are usually risk-averse due to stability desires, and it hinders them from seizing international opportunities. However, culture could promote the proliferation of international contacts and interfamily network linkages around the world, who play an indispensable role in supporting internationalization and developing FBs marketing and managerial capabilities. FBs mental shape influences them to have a financial long-run view, which may persuade them to find internationalization strategies and establish long-term relationships with stakeholders. Besides, Gudmundson *et al*. (2009) defend that this long-term orientation also enhances employee commitment. All in all, a solid culture plays an important role, since convictions, loyalty, trust and the sense of group belonging are more developed than in non-FBs, contributing to increase firmness and stability standards inside the company;

b) family involvement, ownership, and control - When working in a FB, most family members show a high level of devotion to the business and promote a stable exchange of skills and knowledge (Sirmon & Hitt, 2003) that usually come from the experience obtained from several years working abroad. This share improves trust within the FB, supporting durable risky investments and promoting strategic moves, such as internationalization, although sometimes there are conflicts whenever the professional life and the personal sphere get in touch negatively. Furthermore, family involvement also contributes to the growth of a long-term commitment (Sirmon & Hitt, 2003). Moreover, Graves & Thomas (2008) defended that FBs desire and need for control (over firm assets) and privacy leads them to benefit equity over long-term debt. At the same time, it would enable them to internationalize with success (Ahokangas, 1998).

In fact, FB ownership is monitored by the family throughout years and generations and implicates an abundant sentimental appeal. Family ownership impacts people, products, cultural and social capital, commitment towards company activities and its surroundings (Graves & Thomas, 2006). Besides, family managers feel engaged with the company, not only professionally but also emotionally, so they are instigated to be productive and efficient. Furthermore, there are cases in which the owner and the CEO is the same person. This coupling triggers off some positive consequences. First, it lowers agency costs, diminishing the necessity of a third-party supervision and coordination. Having said that, limitations on managerial capabilities to harmonize the activities of crucial areas and inefficient selection of managers, conditioned by familial ties, are appointed as the drawbacks of that coupling (Chrisman & Chua, 1997). Further studies corroborate that it triggers a mix of effects.

Finally, FBs decision-making is also known by a high degree of authority concentration in the family hands (Gallo & Garcia-Pont, 1996); However, family involvement and the desire of control often brings some negative consequences. Sometimes family members do not have the required skills to develop some tasks, but they are favored over professional non-family members (Olivares-Mesa & Cabrera-Suárez, 2006), lacking not only knowledge, and the supply of open-minded managers but also fresh perspectives, new paths, and other non-family resources. This favoring is in line with the desire of avoiding losing family control on the business. The scarcity of non-family board members is harmful to FBs, seeing that they act as arbitrators of the company progress, having more unbiasedness and objectivity when it is time to inspect qualities and weaknesses of the business.

c) succession - considered a factor unique to FBs by Graves & Thomas (2008) and appointed as the most decisive factor in the sustainability of a FB, Neubauer & Lank (1998) elected it as the most relevant strategic decision within FBs. In this context, it is defined as the leadership transition between a family predecessor to a family successor when individuals belong to different generations (Sharma *et al*., 2001). The predecessor would be inclined to lower his involvement over time, progressively delegating responsibilities to the heir. The successor would raise his/her influence, commitment, and decision-making power. This dissertation focuses on management succession, that occurs whenever FBs change their leadership (Leach, 2007), entailing the change of CEO. Astrachan, Allen & Spinelli (2002) found that the greater part of FB leaders aims to keep the leadership within the family, which is deeply linked to the desire of preserving family control and centralized decision-making. Sometimes, it is not possible to guarantee that there is a person qualified for playing such a role, therefore FBs are compelled to recruit a non-family CEO, entrusted to lead the company. Thus, it is imperative to inform that the characteristics of the best successors depend on the strategic objectives of the family. This selection is a demanding and complex process, which often leads to misalignment, divergences and ambiguities that endanger firm stability, so that Beckhard & Dyer (1983) posited that only 30% of FBs are thought to survive the leadership passage to the 2nd generation, and only 10% makes it to the 3rd generation. In addition, subsequent generations will be provided with a powerful set of qualifications (higher education, for example) that will enable them to implement advanced strategies, namely internationalization (Fernández & Nieto, 2005; Gallo & Sveen, 1991). Fernández & Nieto (2006) also highlighted that new generations exhibit higher export propensity and intensity. Thus, the entry of new generations is usually positively seen in terms of commitment to go international and expansion of new strategic ideas, although it is interrelated to the values and vision of the successor (Graves & Thomas, 2008). Sharma *et al.* (1997) appointed the Ambassador exit style as the one who better serves FBs interests. An ambassador leader leads business to average growth levels, steps down to a successor, despite enduring communication with the company, performing an advisory role.

d) strategy-making and corporate governance: On the one hand, strategy-making in family businesses tends to be centralized (Zahra *et al*, 2004), it is mainly focused on consumer needs in local markets (which means a defective market orientation, they do not usually pursue internationalization as aggressively as non-FBs), and is unlikely to be shared with detail with people that do not belong to the family (Hess, 2006). Besides that, strategy-making and corporate governance are normally influenced by the culture and values of the family. Members of the family can be board members, owners and managers, however, the overlap of them might harm the efficiency of operations and the environment of the company (Neubauer & Lank, 1998), affecting the organizational structure. The board of directors should be composed by an open structure, with family members and non-family members, recognized by their professional skills (Gallo &Sveen, 1991). Fernández & Nieto (2006) asserted that the governance structure in the 1st generation generally has little formalization of control systems and is characterized by the existence of poorly developed information systems when compared to later generations. It is also characterized by centrality and lower governance costs. That kind of decision-making lowers the degree of autonomous behavior and independent thinking within the company (Zahra *et al.*, 2004), and consequently innovation, whilst expands rigidity and bureaucracy level. The lack of innovation inputs constrains the internationalization ambition;

e) financial resources: their availability is affected by family harmony, ownership structure, self-imposed limitations, and dividend policy. It is known that FBs favor internally generated equity over long-term debt and outside equity, avoiding the entry of new shareholders, which limits the funding sources for a costly endeavor such as internationalization. So, FBs are generally less keen to expand their operations to international markets since they face financial restrictions (Yrkko, Rouvinen & Yla-Anttila, 2007) seeing that the most significant part of FBs capital belongs to the family. Due to their risk-averse nature, they only opt for debt in situations where self-funds are either insufficient or not readily obtainable. It is justified by CEO usual risk aversion, cautiousness, and conservatism (Mason, 2008). To surpass this lack of financial firepower, FBs can create joint ventures or international strategic alliances with right partners, but they are not likely to do it since it would imply losing control over the business. For this reason, the establishment of wholly-owned subsidiaries is an alternative whenever FBs want to internationalize ensuring that they will keep coordination and control over the supply chain and unique assets (Kutschker & Baurle, 1997).

f) Conclusion: FBs have some facilitating factors to internationalize, such as the long-term relationship with stakeholders; long-run perspective in strategy making and investments; the aim for internalizing critical resources; the favoring of control through ownership; the exchange of knowledge and the easiness of informal communications and foreign family firm relations. On the other hand, FBs internationalization are constrained by some features, concretely the rigidity of family culture, reflected on risk aversion; their undeniable preference for family members, even if they have not enough expertise, leading to scarcity of managerial capabilities associated with internationalization; their inward-orientation, motivated by the reluctance from elder managers to let the family be controlled by external entities; the exclusion of non-family members in the strategic management, so that they usually do not have all the information that they might to maximize their productivity and contribute; the centralized decision-making; the family´s concentrated ownership; and the financial barriers triggered by the exclusion of debt to finance their activities. Based on the proposal by Gallo and Garcia-Pont (1996), the conclusion is that in FB, there is insufficient international cultural experience or awareness, the support by the owners is not enough and there is a strong link to local markets. These are considered the three major motives for FBs to avoid going international. Kontinen and Ojala (2010) revealed that the panic of losing control and the unwillingness to take risks are instrumental factors that refrain FBs internationalization. Altogether, FBs must capitalize on their opportunities and surpass their specific and inherent barriers, in order to successfully internationalize.

2. Grupo Jerónimo Martins Case

2.1 – Company History and Overview

Jerónimo Martins (JM) is a Portuguese-family owned group, that began as a small shop in Lisbon, in 1792, evolving into a multinational company who operates in 3 different geographical markets (Portugal, Poland, and Colombia). In the beginning, JM was already known for selling an extensive diversity of products, mainly food, but including drinks, household supplies, etc. During the nineteenth century, JM expanded and became famous and prestigious, so that in 1920 it was bought by a group of 5 food business owners native from Oporto. In 1938, JM expanded its operations, hiring a new group of managers, committed on investing in new business areas. For instance, cooking products and manufacturing of margarine were two of the most significant innovations. Nine years later, the company built up its investment, illustrated by the development of a joint-venture with *Unilever,* an English-Dutch company, which allowed the group to produce and distribute a wider assortment of products and brands, covering the entire food retailing value chain in Portugal.

However, 1978 was the year in which the most critical event took place. The creation and establishment of the *Pingo Doce* supermarket chain meant an alteration of JM strategy, directing their investment to the food distribution industry (comprehends food retail and wholesale industries). In 1988, the group acquired *Recheio* cash & carry, a food wholesale chain, then it acquired *Feira Nova* hypermarket chain, five years later. After that, the group decided to go international, materializing its desire by approaching the Polish market, with the purchase of *Eurocash*, a polish food wholesale company (1995). This occurrence was followed by the acquisition of 241 stores of *Biedronka*, a discount retail chain (1997). In the same year, JM enlarged its influence in Brazil, acquiring *Sé supermercados*, a supermarket chain, but several factors led it to fail, so the group sold it (2001). JM also expanded to the United Kingdom, but the acquisition of the sports apparel retailer *Lillywhites* failed (1996).

From 1999 to 2004, JM faced hard financial problems which obliged it to promote a deep restructuring of the business, aiming to invest in the food distribution industry, not only in Portugal but also in Poland. In fact, as stated above, JM left Brazil and the U.K., and it sold *Jumbo* and *Eurocash*, polish brands. The group focal points were *Pingo Doce*, *Recheio* and *Biedronka* – responsible for lowering the effect of the 2008 economic recession in Portugal and becoming JM most relevant business, assuming the leadership of the Polish market. In 2012, JM established its power in the Colombian market, with the foundation of Ara, a proximity food discount stores chain.

In the food distribution, JM owns *Biedronka*, *Pingo Doce*, *Recheio* and *Ara*. In the specialized retail, the group possesses *Hebe*: a retail chain of Health and Beauty stores, with 182 points of sale; *Jeronymo*: a chain of coffee shops founded in 2002, with 21 points of sale; *Hussel*: a retail chain who sells chocolates and confectionery, having 24 points of sale.

2.2 – The industry

This segment comprises beverages and products (packed and unpacked) sold in retail stores, such as discount stores, grocery stores, supermarkets, hypermarkets, among others. In Portugal, the effects of 2008 financial crisis perpetuated, leading to a new trend in the market, featured with an enlargement of the number of store visits done by each consumer, although the average shopping basket per client was clearly minor. Consequently, there was a more rational behavior in terms of shopping planning, allied to an increasing price sensitivity and demand for private labels. However, JM surpassed these barriers, through cutting costs, which, combined with a more efficient inventory management and support from *Biedronka* profits, led JM to growth. Nowadays, the group shares the Portuguese market leadership with the Sonae group.

3. Analysis of JM Internationalization Process to Colombia

3.1 – Motives for expanding to Colombia

Alexandre Soares dos Santos was the leader of the group for 45 years (1968 - 2013), therefore he is the man responsible for the international expansion of JM. He always tried to transmit the stewardship feeling and the emotional bond of enlarging the company, having established that financial independence was one of the elemental values for the family and the company. (Fernandes, 2014). In 2011, there were multiple reasons behind JM´s conclusion that it would be going international into a new country, especially the evolution and general environment of both the Portuguese and Polish retail sectors. The macroeconomic and industrial circumstances under which the company was operating could be elected the main drive forces that encouraged JM to venture abroad again. At the bottom, it is important to describe Portugal´s economic overall picture between 2011 and 2013, through a sectorial analysis of the food retail market. In Portugal, the 2008 Great Recession had repercussions that started in late 2010, extending to early 2014, which required the implementation of an austerity period. As stated by INE, PORDATA, Banco de Portugal and Eurostat, the Portuguese Gross Domestic Product (GDP) shrank seriously all through 2011 and 2012, not improving during 2013. GDP per capita mirrored GDP behavior, varying negatively during this recession period. Besides, private consumption plunged significantly too, exhibiting this pattern throughout those years. Following this harsh atmosphere, domestic demand also declined, which, combined with the lower level of private consumption and the severe fiscal directives, led to a decrease in the households´ available income. There was also a contraction on gross fixed capital formation during those years. Finally, the unemployment registered a sudden growth in 2011, accelerating one year later. On the other hand, a deep analysis of the Portuguese food retail industry, in 2011, led to conclude that the structure was concentrated, seeing that the Top 5 retailers owned 76% of the whole retail market, percentage that increased to 77,1% in 2013. This highly concentrated and saturated sector was characterized by slight growth margins, making marginal gains more difficult to obtain, which can be seen through the analysis of the negative growth of retail sales during that period.

In Poland, there was still a sustainable growth during that period, although it was decelerating, with a lower growth of GDP, consequent growth of GDP per capita at a slower pace. There was a deterioration in private consumption growth. Domestic demand registered a negative evolution, but there was an inversion on this tendency in 2014. Likewise, Gross Fixed Capital Formation evolution was negative in 2012 and 2013, however, it registered an impressive growth in 2014. The unemployment rate indicated a higher level than the average of the European Union. So, the aftermath of the Great Recession was not significant in Poland. Besides, the Polish retail structure was still fragmented, since nearly a half of it was managed in modern style. *Biedronka* was the brand which Poles liked better to purchase their groceries (having 46% of market share), playing a leadership position.

To sum up, the adverse conditions in Portugal, combined with JM strong leadership and domain on Poland retail market led the group to pursue another international endeavor.

3.2 - JM International Market Selection Process

The group undertakes continuous market analyses and updates them regularly, and it defines three essential propositions for venturing abroad: **a) a single-format approach**, targeting large-scale consumers. The mass-market strategy was the focal point of JM, intending to keep away from niche markets. This condition is fundamental for JM´s desire of creating economies of scale, boosting profitability through the expansion to markets capable of being developed over time; **b) being aware of the group´s strengths and qualities in food retail**. The objective is to take advantage of existing core competencies, capable of deriving a competitive advantage, rather than pursuing investments in a field where the group has not enough practical knowledge**; c) keep the group´s risk profile**, concretely its conservatism and strict risk-taking when it is time to invest in brand new projects, protocolling the development of durable projects in which it takes advantage from existing competencies, in order to dominate the foreign subsidiary (Albergaria e Sousa, 2013). In other words, JM prefers markets that show a more administrable amount of risk.

Afterwards, the internationalization process depends on group´s decision criteria, whose purpose is helping to decrease the number of countries to be looked over, working as segmentation basis to find the most attractive country for JM. As consequence, all countries are required to meet **one bare minimum criterion** (Albergaria e Sousa, 2013). This criterion implies that it is mandatory for a country to be a **democratic state** provided with stable and powerful government institutions, having an effective judicial system respecting and **enforcing the rule of law**. This criterion works as a preventing measure to ensure that JM investments would be secure and stable, and that private and foreign investment will be safeguarded and treated equally by administrative and governmental organizations.

If the "bare minimum" criterion is fulfilled, countries should then comply with **3 other essential decision criteria: a) significant population** – JM established that the bottom level of population size to shelter scale was 40 million inhabitants, ideal for making certain the existence of economies of scale and targeting mass-markets; **b) stable and robust economy** – it was imperative to focus on emerging markets with significant growth fundamentals, that equally exhibited restricted volatility concerning the main economic variables. This type of economy would be a warranty of long-term growth, letting the group control the risk; **c) market growth opportunity in food retail** – the country must have a market that clearly yields a chance for the development of mass-market food retail activities with a competitive advantage (Albergaria e Sousa, 2013).

3.3 – The Path Towards Success in Colombia

In 13th March 2013, Jerónimo Martins entered in Colombia, through the opening of Ara´s first store in Pereira, a city near Bogotá, Medellin and Cali, the three main cities. The concept related to this brand was the foundation of proximity stores, intending to offer "(…) a substantial assortment of products at reasonable prices (…)" (Pedro Soares dos Santos, 2016 in Público). In other words, Ara would serve the population with lower capacity to reach transportation methods, due to their minor income level. Thus, JM established conventional grocery stores focused on people with lower earnings. In December 2013, the brand had already created 371 work posts, and in the end of this month, approximately 65% of fast-moving consumer goods suppliers were already working with Ara. In July 2014, Pedro Soares dos Santos (JM CEO) stated that the brand had already established a partnership with 200 suppliers, mainly Colombian ones, and this tendency to cooperate with local suppliers would increase as long as the retailer enlarged its influence on that country. Besides, the company was mainly focused on adjusting its stores size, assortment and prices to consumer tastes and customer intricacies. All in all, JM adopted a product-based strategy essential to support and expand its investment in Colombia.

On the other hand, in terms of pricing policy, the one adopted by the group in Colombia was almost identical to the one it developed in Poland. It was an "Every Day Low Prices" strategy, identifiable by the existence of low prices regularly, around 20% lower than the average of the Colombian market. At the end of 2014, JM had disbursed nearby 200 M€ in Ara, distributed by 86 stores and 1 distribution center. In September 2015, JM decided to start its activities in the Caribe Coast, through the foundation of 7 stores, in Barranquilla, Santa Marta and Cartagena. In an interview to *Diário Económico,* in 2015, Pedro Soares dos Santos declared that the investment planned was around 70 M€, implying the establishment of nearby 500 work posts. The sales of 2015 were 122,5 M€. In the beginning of 2016, Ara was already responsible for the administration of 145 stores, and in March the CEO announced that the group was planning to move into a third Colombian region, being predicted that it would involve an investment of 100 M€ for that year. In 2016, Ara registered 236 M€ in sales and in the end of that year, the group had already established 221 stores and 3 distribution centers in Colombia, counting around 3100 employees. The cumulated investment from 2012 to 2016 was 180 M€. In the first nine months of 2017, Ara registered an increase of 77,8% in its growth rate, leading it to achieve 289 M€ in sales. In that period, the brand opened 92 new stores. In the beginning of 2018, the group had already 389 stores in Colombia. The Group established that it would open 150 new stores, in the same year. In the end of October 2018, Jerónimo Martins announced the nine first months results. During these nine months, the group inaugurated 86 new stores, recording 439 M€ in sales, which corresponds to a year-on-year increase of 52,2% in euros. Ara´s private brand had an assortment of already 850 products. During this period, 189 new products were launched.

3.4- JM Capitalization of its Comparative Advantages

As aforementioned in the literature review section, there are facilitating and constraining factors determinant for the internationalization of FBs, therefore the paper will analyze every family business feature that the author described above in section 1.3. Each critical point will be inspected and the objective is to describe the factors that mainly contributed to JM internationalization success:

a) The Group Culture and Principles, Value Proposition and Strategic Objectives: JM intends to create a healthy and balanced work environment. The group is focused on "objectives, committal, and execution", as argues JM Head of Knowledge, Sandra Brito Pereira, without any kind of direct or indirect discrimination. The group defines itself as a promotor of respect and decent treatment of each person, not only on recruitment processes but also on the working environment. The company values a winning mindset, a high customer focus, responsibility, and integrity. It also fosters a culture of fairness and merit, and the objective is that every employee is extremely motivated to work in the group. Generally, the stewardship and motivation level that family members have is naturally higher than those of non-family members, since they tend to feel more engaged with the FB, due to their emotional purpose, although JM has low turnover rates, especially in management job roles. Furthermore, JM takes an effort to ensure the establishment of positive and ethical values within the business and in terms of relationships with stakeholders. Moreover, the group attributes much importance to the affective commitment that it establishes with clients and suppliers. The code of conduct is accessible to all the employees. It establishes some performing rules, such as the respect for association freedom and for the right of collective recruitment. Finally, Employee Services guarantee that the group relationship with employees involves trust and proximity.

The value proposition offered by JM is based on providing high "(…) quality at competitive prices (…)". Besides, the group´s mission is the satisfaction of stakeholders´ needs and expectations, while simultaneously, it should respect and value the interests of its stockholders. In this context, the group pursues a strategy that is also focused on sales and liquidity. In the meantime, the group is also centered on developing the regions in which it operates, in a sustainable and socially responsible way. Promoting health through food and the respect for the environment are two other duties of the group. All in all, company key elements to success are the focus on efficiency, the establishment of strong brands, the implementation of sustainable and flexible business models, and the development of managerial skills. Regarding the culture influence on internationalization, Dra. Sandra Brito Pereira also said that the group selects and coordinates a team of experienced managers to make a diagnosis of the new hypothetical geography, being in accordance with CEO vision. To conclude this first topic, it is imperative to discuss the local responsiveness concept. It is a feature of companies that intend to adequate and adapt their operations not only to the personal needs of buyers in individual countries but also to the competitive environment and distribution organization of the locals where they enter. This concern is a consequence of the existing dissimilarities between individual markets, being an answer to the multiplicity of local customer needs, differences in distribution channels, cultural differences, local competition, among others. Following this framework, and acknowledging that it would be worth to develop a decentralized business model, JM adapted itself to Colombian populations needs, founding a “native” type of store, Ara, that would have a design like the other Colombian stores, with bright colors and same shelf disposition, although it maintained the group´s competitive prices. Using this strategy, they would be able to attract all types of customers, penetrating in the retail market of this emerging country. Moreover, there was conceded a high autonomy degree to store managers in Colombia, allowing them to prototype a management model dependent on the local population specific needs. The fact that JM is owned by a family contributes to an easier assimilation of all those principles mentioned above, since the stewardship feeling enhances the willingness of employees to be more productive and committed to all business activities, including the internationalization process. In other words, when the values are transmitted to the family members inside and outside of the working environment, their application is more efficient and effective.

b) Family Involvement, Ownership, and Control: Sociedade Francisco Manuel dos Santos (SMFS), the family holding, controls 56% of JM. Since 1989, Jerónimo Martins has been part of PSI-20 (a benchmark stock market index of companies that trade on Euronext Lisbon) and its floating shares are nearly ¼ of the group capital.

On the one hand, JM established that it is compulsory that family members join FB seminars and schemes, gaining additional knowledge within SFMS holding, concerning regulations and lines of action of family and company management. In addition, family members are strongly persuaded to engage in experiences in other companies, spending several years outside JM to refine and perfect their skills, gaining experience. On the other hand, there is an independent committee that inspects and evaluates the profiles and CVs of family members, which transmits an impartial and transparent image. Besides that, there are policies designed to ensure that the majority stake held in JM is not possible to disassociate, meaning that the family will be united even if family members want to leave SFMS or cash out their own stake. As an example, there is a rule which imposes that shares can only be sold to other members of the family or to the same SFMS. All these policies have the same goal: the protection and preservation of investment, granting that JM stays away from family conflicts, and assuring continuity within the family. Since it is a FB, there is a high level of commitment with the company, and it begins in all the actions of the CEO, a view supported by Dra. Sandra Brito Pereira, who mentioned the fact that the CEO always showed a combative mind, overcoming his own limits and fears, in order to follow the company´s pretensions. When questioned whether the company would define itself as management-first or family-first, JM Head of Knowledge promptly answered that it is "company-first", meaning that the group is the priority, and the alignment between ownership and management interests results in a competitive advantage. All in all, the stability, the high commitment level and the experience provided by family and non-family members were beneficial to JM internationalization to

Colombia, since it required a solid management capacity, in a volatile and uncertain environment. It implied the development of pioneering and the promotion of innovation in order to obtain competitive advantages, therefore these qualities and features of a family-business (the stability, the exchange of knowledge between family and non-family members, and the alignment between management and control interests) contributed to sustain the international expansion of the group to Latin America.

c) Succession: There is a meritocratic system. The two main competencies necessary to assume a leadership role within the group are endurance and working capacity. According to the Head of Knowledge of JM, the comparative advantage that the company has arisen from the stable governance of the group decreases misalignment with SFMS, moral hazard risk and agency costs. In effect, the family ensures that the power will remain inside its members, approaching medium-long term investments. It gives employees the feeling that they are working on behalf of a common purpose, the company profitability, expansion, and success. Thus, they know that the company will not be sold, so their jobs are not constantly threatened, which increases their engagement, being a source of comparative advantage. This stability is important for consumers, too, because they are getting more brand-orientation, depositing more confidence in the group due to the familiar face behind it. Lastly, the qualities and resourcefulness being shown by the next-generation transmit a solid conviction that the group will continue to succeed. The big difference of ages between next-generation members benefits the continuing ingress of 5th generation members, who feel attracted and want to be active in some of the projects of SMFS foundation. Concluding, the meritocratic system combined to the stable governance of the group led JM to conduct long-term investments, namely the international expansion to Poland and Colombia. The ambassador exit style, adopted by Alexandre Soares dos Santos, represented a competitive advantage. He had gradually become a spokesman for the business, concerned on transmitting its visions to the next-generation, ensuring stability and increasing the productivity of the employees.

d) Strategy-Making and Corporate Governance: There are distinct committees with a hybrid composition of family and non-family members who work as supervisors of audit, corporate governance, ethics, and responsibility. This mixed and opened structure diminishes the moral hazard risk and inefficient selection, transmitting a secure and transparent image towards the financial markets and investors. Independent members bring specific know-how and contribute to lessening asymmetric information towards stakeholders, offsetting the agency costs related to a board composed only by family-members. This position leads the company to hire high-quality people, with experience and capacity to bring macroeconomic insights, providing strategic information in terms of demand and consumption. Therefore, the recruitment of retailing industry executives and university professors contribute to complement the company, enriching its intellectual property. Regarding group´s **key strategic management guidelines**, JM wants to provide: a) the frequent reinforcement of a solid balance sheet; b) the management and preservation of existing assets value; c) the maximization of synergies and the scale effect; d) the promotion of an innovating spirit, as a critical factor to obtain new competitive advantages. According to this, it is possible to determine that the group has an organizational ambidexterity since its intention is to exploit and capitalize existent opportunities, being aware of new horizons and possibilities. The group defined its **3 key strategic objectives**: a) to obtain and strengthen their leadership position in their operating markets; b) to establish and develop responsible and strong brands; c) to make sure that there is a well-adjusted growth of the business units in terms of profitability and sales. In this line, respecting its strategic management guidelines, JM expanded to Colombia, a country that complied with all JM criteria, in order to fulfill its key strategic objectives.

e) Financial Resources: the Soares dos Santos family is conservative, and this attitude is transmitted to business activities, influencing company´s operations. JM has a frugal, cautious and parsimonious vision on financing matters, aiming to remain independent from external financing. The plan is to generate profits, which would be used to invest later in new markets capable of engendering bigger gains. During the 80s and 90s, the evolution of the company was partially made with the help of equity and bonds emission, increasing the group´s financial capacity. In 2001, the group went through a troubled period, in which it had to ask for the help of the banking sector, but it was a limit situation. Yet, it is not easy to be financed in Portugal, another reason for this conservatism of the group. In effect, the company is listed on the stock exchange, being exposed to investors. All in all, its capacity to raise capitals cheaper than the ones provided by banking channels contributed to the international expansion of the group. Thus, the vast amount of cash-flows collected from the already established international activities, combined with a moderate external financing, due to JM conservatism and parsimony, were the major driving-forces that enabled the group to pursue its expansion to Colombia. The family is centered on the allocation of profits, having **4 complementary paths**: a) remunerating the equity risk; b) reinvesting in the group; c) investing on SMFS straightly controlled joint activities; d) funding SFMS foundation.

Conclusion

FBs are involved in a paradox. On the one hand, they are risk-averse, defending a limited inclusion of non-family managers, and they are known by typically avoiding reliance on external financing. On the other hand, FBs have specific features that enable them to have a comparative advantage in the internationalization performance. In fact, FBs are usually recognized for having a low bureaucracy level, a patient capital, the ability of long-term thinking, a fast decision-making, less information asymmetry which reduces the agency costs, a significant degree of organizational ambidexterity, parsimony, more trust, proximity and control within the business, a closer contact and faster access to the market, etc. Through the analysis of JM expansion to Colombia, this academic work thoroughly corroborates main previous theories and conceptual studies, since it ascertains that an efficient performance on the FB determinant factors for internationalization (culture and principles, strategic objectives, family involvement, ownership and control structure, succession process, strategy-making, corporate governance and management of financial resources) significantly enhances the success of the company´s internationalization process. Therefore, it would also be important to develop a complementary study to understand which of those factors performed poorly during the failure of the international expansion to Brazil and to the U.K, as well as what JM have learned from those unsuccessful ventures. Furthermore, JM undeniable success derives from its efficient business activities, not only its internationalization process, but also the way the group manages its functioning, states its visions, implements its values, and relates with its competitors, stakeholders, customers and other companies. The group has enough financial means to expand into a new country, however, it currently does not have enough human resources to sustainably grow in a 4th geography, since JM culture requires it to make a gradual recruitment process. To sum up, practices adopted by JM are crucial for a solid family-driven internationalization, and not only FBs but also non-FBs must embrace them in their path towards success.

Appendix

Exhibit 1: PESTLE Analysis – Colombia

Political and Legal Factors
Democracy
Reforms Eradicating Controls On Profits
Equal Treatment Given To National And Foreign Firms
Effective Judicial System
Reduction Of Farc Activities
Promulgation Of An Anti-Corruption Statute
Economic Indicators
4th Biggest Economy in South America - in 2010
Increase in GDP Growth Rate - 5.9% - in 2011
Increase in Domestic Demand - 8.8% - in 2011
Inflation Rate within the Interval Chosen by the Colombian Central Bank - 3.73% - in 2011
Fragmented Retail Sector
Social Environment
46.3M people in 2010
Promotion of Education and Health Services
68% of the Population falling within the 15-64 years target
4.5% of GDP Destined to Education
Technological Context
Lack of Investment R&D Activities
Existence of Low-Quality Infrastructures
Rudimental Routes
Measures Taken To: - Promote An Interlinked Technological Environment - Proliferate the Infrastructures - Expand the Digital Content Designing
Ecological Perspective
Measures Designed to Mitigate the Impact of Climate Change
Establishment of the National Climate Change Policy

Exhibit 2: SWOT Analysis – Colombia

Strengths
Sizeably and Young Population
Middle Class becoming larger, increasing its Purchasing Power
Heavier Investment in Education
FDI Policies Defined to Potentialise Growth
Weaknesses
Excessive Dependency on Energetic Goods
High Inflation Level, with a Rising Pattern
High Unemployment Rate in Comparison the the 3 main Latin American Economies
Existence of Drug Trafficking and Corruption
Opportunities
The Maturity of Western Economies led to a higher demand for Emergent Markets
Implementation of Free Trade agreements with the US and EU
Increase in Tourism Flows
Threats
The Economic Recession
Vulnerability to International Commodity Prices

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