

# The way forward – The values of SONAE

El camino a seguir – Los valores de SONAE

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Woody Allen said he is only interested in immortality if he doesn't die; he is not interested in achieving immortality through the memory of his work.

Organizations can also aspire to this. Immortality is possible if permanent care and renewal is provided to them; without this, organizations inexorably fade.

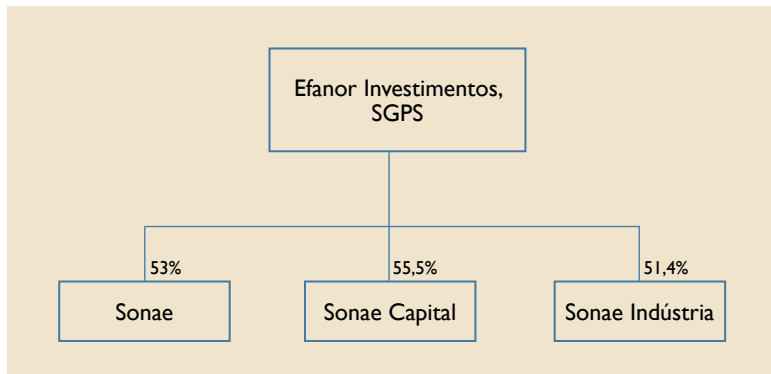
In fact, companies usually do not live as long as individuals, but it is true that companies that have a strong family foundation and support tend to last longer than the others. It is probably a subject to be dealt with by academics but I suspect that sharing a solid set of family-originated values and beliefs – which end up shaping strategy-planning within a context of shareholding stability – might not be totally absent from a thorough explanation for long-living companies.

Values are immaterial, but lasting; they are intangible, but firm like pillars. Values are the source of nourishment to an organization and to a company and Sonae is no exception. A strong set of values is the matrix according to which the evolution of Sonae Group should be read and interpreted. This does not mean that values are immune to change – only change itself is and should be immune to change. It simply means that the axiology matrix is fundamentally the same, irrespective of all the changes – also to the values – that come with time and with the dynamics of society and life.

Sonae was founded in 1959 as a company that introduced the production of a wood based product called “estratífite” in Portugal, using a waste product – grape stems. I arrived at the company in 1965 to perform an operation and a transformational change at the same time:



to discover the purpose of Sonae, what future it had. And I loved that because it was a case of applying one of the principles of the economist Joseph Schumpeter, who believed it possible to destroy and be creative at the same time. My first tasks as a young engineer were to have to send half the equipment to the scrap yard and to change the people who were here. For a long time I worked 24 or 48 or 72 hours non-stop in order to ensure the complete transformation. We opened the first hypermarket (*Continente*) in Portugal in 1985 and by the late 1980's we became (and we still are today) the largest non-financial Portuguese group and the biggest employer in Portugal, that aspired to leadership in business areas as diverse as Industry, Retail, Communication and Information Technologies or Tourism (our turnover for 1989 was 530 m€). In the meantime, we spun-off the tourism and industry segments, that are currently owned by Sonae Capital and Sonae Indústria (sister companies under EFANOR holding – see chart below), and we are focused in retail – food, electronics, sports and fashion - as our core business. We have two core partnerships at the shopping centres and telecoms businesses, an independent business unit focused on the management of the retail real estate assets, and an investment management area that is committed to creating value through M&A. Our turnover for 2010 (including Sonae Capital and Sonae Indústria) was 7,386 m€ and we are present in 41 countries with over 49,000 employees.



Of course, Sonae values are not today exactly the same as they were in the past; there was a slow but steady evolution that was brought by time, people, experience and knowledge and I am strongly convinced that they are getting better, more sophisticated and

more comprehensive albeit the matrix has not changed in the sense that an individual's DNA does not change with aging.

I never emphasize the distinction between family and corporate values: they are essentially the same, although natural differences exist regarding circumstances and contexts. What I mean is that I don't see as intellectually and morally justifiable upholding certain values in one's private and familiar life and a totally different set of values in one's public or corporate life. I never understood such a way of one positioning oneself in life and I am convinced that this is one of the causes for the lack of credibility of many politicians and leaders in general. There is no true leadership, as I understand it, without credibility, authenticity and honesty and I think these will come along naturally when you don't raise fundamental barriers between your private, corporate and citizenship lives. I also never had too much respect for hierarchies and powers-that-be and always preferred to look closely at substance irrespective of the formality; this is, I believe, a necessary condition for innovation to flourish and for leadership to be credible and self-imposing with natural authority.

I am lucky to have been able to build a family where friendship, mutual help and understanding are bonds that bring unity, stability and harmony regarding long-term commitment with the family and with Sonae. In fact, family and professional scopes end up mixing and almost confusing with each other because everyone shares the same view point regarding Sonae; this is one that understands companies as long-living, sustainable entities and therefore despises short-term perspectives built on strict shareholders' remuneration demands or opportunistic share-dealings, as these tend to hinder companies' reputation and investment, thereby compromising the possibilities of long-term economic success of undertakings, and bring with it unemployment, damage to the community and also economic instability to the family members.

Also, we have always had a clear vision of a long-lasting company as that where the distinction between ownership and management is vital. Despite family control of the majority of Sonae's share capital, we are very determined in ensuring a strictly professional, merit-based management and governance systems, where leading positions are reached by those who have the necessary skills to get there and no one cares about family names. We are now considering that in today's world we might joint-venture with other partners

defending the same or similar values, thereby enabling us to establish partnerships where we do not have a controlling position, as long as we set out beforehand exit clauses that allow for a swift, smooth and non-destructive parting of ways.

There is of course a genetic factor in all of this that cannot be disregarded, but the most important is that our family values – that are also put into action and truly lived in Sonae – are deeply rooted in, cherished and accepted by us and we also expect the Sonae values to be understood, adhered to and put in place by each and every one of the circa 43,000 employees of the Sonae Group. Living the values – walking the talk -, that is really what sets the difference

between our set of values as the key-elements of a given culture that merges, federates and transcends the number of cultures, beliefs and values of many individuals and also marks the tone and the pace for behaviors and builds the identity of an organization, on one hand, and mere wishful thinking, on the other hand, although there is a non-neglectable component of idealism present when certain expected behaviors, stances, convictions, principles and actions are deemed as ideal or desirable.

Constantly walking the path of information-seeking, permanent learning and training and risk-taking action, the Sonae values were always – they still are – based upon three fundamental pillars I could refer to as *Probity* (this being an intimate and honest attitude of integrity and loyalty towards everyone in life), *Permanent Dissatisfaction* (this is a more work-oriented and entrepreneurship feature) and *Leading by example* (the action-driven personality that is resolved to showing others that we do as we preach).

One could say that my personal and family life is therefore juxtaposed to the one I lead as Sonae’s Chairman and it obeys to the same set of values as the organization does. I will now briefly describe them, as they are expressed today: **(i) trust and integrity** – creating value in the long term built on relationships that are founded on integrity and trust; **(ii) people at the centre of our success** – we are constantly setting challenges and open to change, which is crucial to attract ambitious people, that are a determining factor in all the markets where we operate (this is why we invest in developing their capabilities and skills); **(iii) ambition** – this is born from continuously establishing goals that stretch us to our limits, stimulate our energy

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and reinforce our determination and it drives us and keeps us dissatisfied with the *status quo* and forces us to go beyond our past successes; **(iv) innovation** – this is at the heart of our businesses and it involves risks but we are aware of the importance of identifying and managing these risks so as to maintain them within reasonable limits (only by innovating is possible to grow sustainably); **(v) social responsibility** – we have an active sense of social responsibility, we try to contribute to improving the communities within which we operate and our behavior takes into account the most recent environmental concerns and sustainable development policies; **(vi) frugality and efficiency** – we aim to optimize the use of resources and maximize their return, seeking cost efficiency, avoiding any waste or extravagance and, as a priority, we focus on achieving operational efficiency, promoting healthy competition and delivering high impact projects; **(vii) cooperation and independence** – we are willing and ready to cooperate with central and local governments in order to improve regulatory, legal and social frameworks and to ensure the best solutions for the communities where we operate, but we also take care to maintain our independence in relation to all such entities.

This particular set of values has influenced decisively Sonae's work ethics and the way of doing things: we work with excellence, curiosity, frankness, clarity, creativity and merit, by being customer-focused, communicating, with boldness, sense of ownership and common sense. What is essential is to be always open-minded, to listen, to ask intelligent questions, to always assume that anything can be done, because those who content themselves with always doing more or less the same thing are moving backwards, as the world only advances through innovation. This is indeed the 'immaterial cement' that binds the group together, and takes it beyond the rigidity of organization charts and the classic synergies of operational efficiency.

If one adds all these elements to the strong leadership from Sonae's managers and the richness and diversity of all the teams, one gets a fairly precise picture of what Sonae is today and intends to be tomorrow. We call it *our way* and this is in fact my way, my family's way and of course Efanor's and Sonae's way, which reflects our very strong rejection of the idea of capitalism as a system that aims at creating material richness for a few and does not have to worry about being intelligent, sustainable or responsible regarding the

community, the environment and employees, nor should contributing to reduce social imbalances be one of its concerns.

We aim at giving importance to what really is important and short-term, speculative gains are not compatible with our line of thinking in the family and at Sonae. In this sense, I am very much identified with the idea of Schumpeter regarding the role of entrepreneurs and businessmen as agents of change and innovation in society that create value. I have always viewed my own role as an entrepreneur as that of a curator of wealth that should be invested to generate more wealth and create more jobs; by the way, that is also what I really like to do.

Despite all this, Sonae is far from being immune to these difficult times and to the effects of the financial and economic crisis that is still storming across Portugal, Europe and a big part of the world, but I remain very confident that our way and our values are the right ones and neither I, my family nor Sonae will move away from these. Solidness and resilience of values should be tested and proven under difficult conditions.

We at Sonae understood that immaterial synergies are fundamental and it is with great joy that I am making this statement about the importance of values in organizations – this is clearer today than ever – simultaneously with *fado* being considered Intangible Cultural Heritage of Humanity by UNESCO.

My simple conclusion is this: key-words are education, culture and ethics. These, like *fado*, are easily validated in any part of the world and they give me all the necessary confidence to be sure about our future success as an international, growing, long-living company.

