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SCIENTIFIC REVIEW

THE RESILIENCE OF FAMILY FIRMS: CASE STUDY OF SMUCKER'S AND ITS HISTORY OF INNOVATION AND FAMILY VALUES

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ABSTRACT

This paper is aimed to look at the astonishing growth of the J.M. Smucker Company. It takes a look at the beginning that shows how Jerome Monroe Smucker transformed his family recipe into a multibillion-dollar company with a wide arrange of products. Specifically, this paper takes a look at the foundation of the company and how the core values that were set forth in the very beginning, still hold true to this day. While many companies seem to have a revolving door of employees and management, the Smucker's have been operating this business from the beginning. The company is their family and their unique management style makes their employees feel the same way. While they do produce quality products and goods, it is truly believed that it is the core values and the people that really push the overall growth of the company and increase its resilience. The analysis shows that family-run businesses may employ family social capital in retrospective and prospective ways. A retrospective approach involves targeted and conservative uses of family social capital, wherein the aim is to maintain organizational functioning and return to "business as usual". In contrast, a prospective approach employs these resources in a more strategic and flexible way to adapt to a "new" future.

Keywords: management style, leaders, employee resilience, organization

JEL classification: M14, M51, M54,

INTRODUCTION

J.M. Smucker Company was created in 1897 by Jerome Monroe Smucker, specializing in apple butter made from fresh, local ingredients. Like most companies, it started out as a small family-owned operations, reaching \$59,000 in sales. The first plant wasn't built until the 1920's, when it then became incorporated. Shortly after the first plant was built, the company began producing jelly, spiking sales to \$4.1 million by the 1940's. From here, innovation continued as they created more flavors and products to continue the growth of sales along with the company. Advertising became a big part of their success as songs were written and television and radio appearances were made. By 1967, Smucker's sold 150 million jars of products that consisted of jellies, preserves, apple butter, and ice cream toppings [1]. In 2019, they were estimated at 7.84 billion dollars in sales [2]. So how did such a small company grow to be so big and resilient?

RETROSPECTIVE APPROACH

Smucker's was first started by Jerome Monroe Smucker in 1897 using a simple apple butter family recipe in Orrville, OH. But the apple butter recipe (along with many other recipes and products) is not what has led the company to the top of the charts and a billion-dollar company. What has gotten Smucker's where it is today, is a culture and management style that is straightforward and consistent. A family of generations as carried on the traditions and expectations to transform the company from a \$59,000 dollar a year company into a multibillion-dollar company that we know today. In this paper, we will take a look at the growth of the company and some key principles that have excelled the company to where it is today [1].

For those who work inside the company, they may tell you that it is not the secrets of the recipes or products but more so the recipe of the culture within the building. They believe solely in preserving wholesome family values and trusting the common sense will excel the company by sparking creativity and innovation. This is said to be the principles of the man who originally founded Smucker's by taking a stand to higher ideals in order to create a meaningful and impactful life [1].

In 1890, J.M. Smucker purchased his own farmland and along with his brothers, started producing butter, cheese, and occasionally ice cream. In addition, he was also selling creamery supplies to help support his family. After a while, the life on the farm grew tiring and he wanted something new, so he began creating juice, which was not typical of any creameries. From here, he continued his curiosity and innovation and purchased new technology and equipment to help with the production of his products. As production carried on, he soon realized that he really had something great and it was at this moment the J.M. Smucker Company was created. Quickly, the small town of Orrville, OH became a frequently visited location [1].

In 1915, J.M. Smucker Company had 20 employees and the company was producing 1,300 pounds of apple butter a day. This would equate to \$59,802.93 of revenue, resulting in a profit of \$2,859.00. The company would continue to grow, generating \$159,000 in 1918. In the middle of this growth, J.M. really made a decision that was ahead of its time when he appointed two women, his wife, Ella, and his daughter Winna, among the five directors. The other board members included J.M. himself, his son Willard, and an associate William Imhoff. This would start the true family business and was a big part of the values created within the company. Along with these values and standards, it was very common to see J.M. himself alongside his workers assisting with production. It was not just within his own company he was setting a high example, but he was a key figure in the community often volunteering his time and being a major supporter of the small town of Orrville [1]. It was the acts of J.M. that would create the high expectations and positive culture that would carry over to the company, even after he was gone.

In 1973 a document was created with the intent to capture the company's standards and beliefs. It was by these standards that they hired and relied on certain people to continue the positivity and innovation of the culture. This was developed by managers throughout the company and was formalized in 1979, titled "Basic Beliefs" and it was designed to "create the foundation regarding the quality, people, ethics, growth, and independence to serve as a strong foundation throughout our history and will continue to be the basis for future strategy, plans, and achievements." Quality represents their products, manufacturing methods, marketing efforts, and relationships between each other. People are treated fairly and strives to create an environment that encourages responsibility within the company and the community, with the expectation that those people adhere to their job responsibilities to improve the company as a whole. Ethics are the way that the company conducts business, as well as themselves as individuals. Among these are values that include honesty, respect, trust, responsibility, and fairness. Growth refers to the innovation and the constant vision to improve the company to reach the highest potential that can be obtained in many ways such as acquisition of new brands, the development of new products and new markets, the discovery of new management or manufacturing capabilities, or the personal growth and development of their people and their ideas. Independence states that it will remain an independent company because of the desire and motivation to control their own destiny [1, 3].

While this document was created in the late 70's, it was established from the culture created from the very beginning and would lead to the quick rising to the J.M. Smucker Company. From the early days of apple butter and jelly, the company now has brands and products that include Folgers coffee, JIF peanut butter, Crisco, Pillsbury, and Eagle Brand. Expansion is quickly on the rise and now consists of plants and factories that range from California to North Carolina. As previously mentioned, revenue soared from the \$59,000 revenue generated in their first year of operations to more than \$7.84 billion dollars in U.S. sales. This is a result of those values (quality, people, ethics, growth, independence). When looking at some of these in action, a few things came to light that were astonishing. First, Smucker's is setting the bar high, with their new parental leave

policies. This policy states that they are expanding new moms and dads 12 weeks of paid time off as well as expanding vacation time. They are also allowing additional days off for pet grievance [5]. Another interesting change was to their annual “Turkey Bowl” that occurs before Thanksgiving.

Speaking to a current employee, they stated that “with growing concern of food waste and to also support animal welfare they decided to do away with the actual frozen turkey, and instead replace with wood blocks. This allows the company to keep up with their annual tradition to boost employee morale and put on a good time for their employees, while respecting the potential concerns of those within and outside the company [5]. This is just another example of their ability to relate to their employees and stand for what is right in their eyes.

CONCLUSIONS

It is pretty astonishing the path of Smucker’s, starting off as a small, 20-person operation, to a 7,000-person operation worldwide, generating over \$7 billion dollars. From the early days, J.M. himself set forth the standards and culture of the company by leading by example and always pushing innovation, as shown by his willingness to work alongside his employees as well as by appointing two women to the board which was by no means normal at that time. These values would carry over throughout the following years when the document of “core values” was created. This was based on the values of quality, people, ethics, growth, and independence. It is this culture that encourages the employees to perform at a high level to continue to push the growth of not just themselves, but their co-workers and the company as a whole. Along the way, this growth has allowed the company to grow from a company of apple butter and jelly to a wide range of products from cooking products, coffee, and even animal foods and products. They continue to set the bar for other companies by a new way of thinking of how they treat their employees with the mindset that everyone is family.

Family-controlled businesses are often the most resilient in all respects. When adversity strikes, emotional, social or even financial factors come into play and shake the initial equilibrium of the system. Effective leadership styles can create an environment that supports and nurtures resilience among employees, ultimately contributing to organizational success.

This study suggests that family firms are in a privileged position to strengthen their resilience because they mobilize their resources to keep their businesses more prone to adapt to change [6].

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